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THE SOCIETY OF INCORPORATED ACCOUNTANTS

MAY 1955



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The editorial and contributed articles and notes in ACCOUNTANCY cover a wide range of subjects and are selected for their general interest. The views expressed are not necessarily shared by the Council of the Society of Incorporated Accountants.

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Professional Notes

Our Overseas Account

THE FAVOURABLE BALANCE of the overseas current account of the United Kingdom declined last year by a matter of £57 million, but of this fall virtually the whole can be accounted for by a drop in American aid of £52 million to less than half the 1953 figure. The main lines of the account are made up as follows:—

	£ million		
	1952	1953	1954
Visible imports	2,946	2,889	3,007
Visible exports and re-exports ..	2,826	2,671	2,815
Visible deficit	120	218	192
Invisible earnings	1,032	1,050	1,095
U.S. Aid	121	102	50
Total	1,153	1,152	1,145

	£ million		
	1952	1953	1954
less Invisible payments on Govt.			
Account net	172	155	169
Other	602	562	624
Total	774	717	793
Invisible surplus	379	435	352
Overall surplus	259	217	160

If this were the whole story there would be little cause for despondency. One might even attribute the whole to the U.S. recession and think oneself well out of what promised, in any case, to be a difficult year. Unfortunately, the figures confirm the development in the second half-year of an unhealthy trend and there is no evidence that it has as yet been reversed. Total exports

fell in the second half-year, while total imports rose. Government expenditure abroad increased in that period and net invisible earnings declined. Before taking credit for aid, a surplus of £148 million in the first half of the year became a deficit of £38 million in the second half, and after aid the corresponding figures were a credit of £172 million and a debit of £12 million. No one can seriously suggest that such a change should be ignored.

Another rather serious aspect of our performance is that while we increased our surplus with the rest of the sterling area by £96 million to £269 million on the year, we converted a surplus of £44 million with other countries into a deficit of £109 million. More than the whole of this deterioration occurred in the second half-year. In more detail, we increased our balance of payments deficit with the dollar area by £41 million, before aid, and reduced our surplus with the O.E.E.C. area by £74 million, but were able to improve the deficit with other non-sterling countries by £14 million. As compared with the corresponding period of 1953, we increased our exports in each half of the year to the dollar area outside North America, to Australasia and to the O.E.E.C. area, but reduced those to North America and the Colonies, and in every other case a rise in the first half-year was more or less offset by a fall in the second. Exports to the whole sterling area rose by £70 million in the first half and by £6 million in the second half-year. The over-all rise of £91 million to all areas was exactly equal to that with Australasia alone. To round off the current account picture, it should be added that the total sterling area balance, including the U.K., with the rest of the world fell from £325 million in 1953 to £7 million last year.

Debts and Investment

NOT SO VERY long ago the Chancellor stated an objective to be met out of a current surplus, of £300 to £350 million a year for investment or debt repayment overseas. In 1953 we had an over-all surplus of £217 million,

while our sterling liabilities increased by £271 million and our holdings of non-dollar currencies ran down by £30 million. We used these resources to add £240 million to our gold holding, to invest £200 million and to repay debts to international institutions, including the E.P.U., of £78 million. Last year the surplus fell to £160 million and sterling liabilities increased further by £195 million. Gold reserves rose by only £87 million and other currency holdings by £3 million, and debt repayments jumped to £113 million, while investments sank to £152 million. This item of investments includes other capital transactions. It is a net figure and a balancing item and cannot be said to reflect what is normally considered to be overseas investment. The figure suggests that, by and large, we are finding a modest amount for the development of the Commonwealth, and last year a substantial part of the total went to Canada. It also demonstrates that the total available is still far short of the objective and it is evident that it will be no easy matter to increase it this year. The figures given above are, in the main, taken from *Economic Survey 1955* (Cmd. 9412), obtainable at Her Majesty's Stationery Office, price 1s. 6d. net.

Stamp-Martin Seminars

A SEMINAR WILL be held at 6 p.m. on May 20, when Mr. Louis Goldberg, B.A., M.COM., Senior Lecturer in Accountancy in the University of Melbourne, will introduce a discussion on "Some Queries about Depreciation."

Mr. David Solomons, Professor-elect of Accounting in the University of Bristol, will open a seminar on June 10 at 6 p.m., on "Economic and Accounting Concepts of Costs and their Relevance to Policy Decisions."

Both seminars will be held at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. They are open to all who are interested in the subjects, but it is requested that advance intimation of intention to be present be sent to Mr. T. W. South, Secretary of the Incorporated Accountants' Research Committee, at that address.

New Members of Society's Council

WE HAVE MUCH pleasure in congratulating Mr. James S. Heaton, Mr. S. L. Pleasance and Mr. F. E. Price, who, as reported on page 196 of this issue, have been appointed members of the Council of the Society of Incorporated Accountants under the provisions of Article 48. Photographs of the new Council members appear on page 194.

Mr. James S. Heaton, F.S.A.A., is President of the Incorporated Accountants' Bradford and District Society, and the first announcement of his new honour was fitly made by the President of the parent Society, Mr. Bertram Nelson, at the recent dinner of the Bradford Society.

After serving articles with his father, Mr. W. A. Heaton, F.S.A.A., he was awarded honours in the Final Examination. He became a member of the Society in 1935, and is now a partner with his father and Mr. Sidney Wilson, F.S.A.A., J.P., in the firm of Bottomley & Smith, Incorporated Accountants, Keighley.

He was a member of the Incorporated Accountants' Research Committee from 1942 to 1952, and was chairman of its Taxation Sub-Committee. He was one of the representatives who gave evidence on behalf of the Society before the Millard Tucker Committee on the Taxation of Trading Profits and the Royal Commission on Taxation.

Mr. Heaton was a member of the editorial board of *Simon's Income Tax*, and is well known as a lecturer and as author of a number of books on taxation.

Mr. S. L. Pleasance, F.S.A.A., is Chairman of the Incorporated Accountants' London and District Society, and has been a member of its Committee since 1947. He was articled to Mr. John Moffitt, City Treasurer of Portsmouth, and became a member of the Society in 1929. He then came to London, and was Chief Accountant of Peek, Frean & Co. Ltd. for some years before the war, when he served as Staff Paymaster at the Headquarters of South-East Asia Command. He is now a director of Parnall (Yate) Ltd., Ascot Gas Water Heaters Ltd. and Ewart & Son, Ltd.

Mr. Frank E. Price, F.S.A.A., F.I.M.T.A., qualified as an Incorporated Accountant in 1926 with honours in the Final Examination, and is also a gold medallist of the Institute of Municipal Treasurers and Accountants. He is now a partner in Messrs. Arthur Collins & Co., London and Newport, Mon. Formerly he was a partner in Messrs. Alban & Lamb, Incorporated Accountants.

Mr Price is also deputy chairman of Cwmbran (New Town) Development Corporation, a part-time member of the Wales Gas Board, a director of Wales and Monmouthshire Industrial Estates Ltd., and a local director (Bristol branch) of the Royal Exchange Assurance Corporation. He is joint author of books on local government, and has frequently given evidence before Parliamentary committees and local inquiries on local government and public utility finance.

Fraud at Lloyd's

THE END OF March saw the conclusion of a case at the Old Bailey in which a Lloyd's underwriter, A. E. M. Wilcox, was sentenced, with a Chartered Accountant, H. A. Simmonds, and a clerk, for fraud and conspiracy. The essential elements in the case were that Wilcox had after a long apprenticeship started in business on his own as an underwriter and had built up a substantial turnover by underwriting doubtful business at cut rates. He obtained the funds for this purpose largely from others whom he persuaded to become "Names" for his syndicate. This process landed him into losses, which he was enabled to conceal by a number of expedients and because his auditor produced certificates which were in fact fraudulent. When disclosure finally became inevitable Lloyd's assumed all liability both to the policy-holders—which was to be expected—and to the "Names," which seems very generous. The total cost is likely, it is understood, to exceed £750,000, and the judge was able to assure the jury that Lloyd's emerge from the incident with their already excellent reputation still further enhanced.

For the future the interest attach-

ing to this incident is that the issue of fraudulent audit certificates made it possible for the syndicate to carry on despite the audit control to which Lloyd's subject all members to ensure against over-trading. This control has been working for almost half a century and this is the second time that the net has failed to catch the offender, in each case because of outright fraud which the control was not specifically designed to detect. The issue of fraudulent audit certificates must face Lloyd's with a problem as to how they can overcome this weakness in their arrangements, for no matter how high the standard of conduct of any profession there will always be a black sheep now and then. Quite apart from the very substantial cost involved, Lloyd's will certainly not lightly accept a state of affairs in which its precautions can be set at naught. To insist upon all members employing auditors from an officially selected panel would seem undesirable and the alternative may lie in some system of inspection of books by auditors appointed by Lloyd's themselves. This could be done by taking samples at random and at any time, or in any case in which there seemed any reason for suspicion, the ground for inspection in the latter case being kept secret. This would no doubt cause some inconvenience and expense but it would be less disturbing than the suspicion that the measures designed to ensure adhesion to accepted standards were faulty.

Mr. Justice Streatfeild recorded in favour of Simmonds that it was he who last year took the initiative in reporting the matter to Lloyd's. The fact that a conspirator discontinued his criminal activities and exposed his former confederates did not excuse him, but it might mitigate his guilt. It had been said on behalf of Simmonds that he had been hoodwinked by Wilcox until in early 1954 he found Wilcox out and exposed him. An auditor to a Lloyd's underwriter must not be allowed to be hoodwinked. Why did Lloyd's lay down elaborate rules for strict audit, if it was sufficient for an auditor to take instructions from an underwriting agent and so accept without question

anything he might say simply because he believed him to be a man of integrity?

Wilcox was sentenced to imprisonment for a total of eight years, Simmonds for four years, and Hewit, the clerk, for one year. A book-keeper was found not guilty.

The National Accounts

PRELIMINARY ESTIMATES OF national income and expenditure last year, and revised figures for the years 1948-53 inclusive, are provided by the National Income White Paper (Cmd. 9423). It will be necessary to wait until August for the full Blue Book on this subject. The current paper is to be obtained from Her Majesty's Stationery Office at 6d. net. At current market prices for each year the principal figures are as follow:

	INCOME (£ million)	
	1953	1954
Income of employees and the Forces ..	9,527	10,200
Professional earnings ..	252	272
Profits of sole traders and partnerships and farmers' incomes ..	1,338	1,398
Profits of companies* ..	2,364	2,576
Miscellaneous† ..	1,147	1,172
Plus Stock depreciation	+ 75	- 75
Gross national income	14,703	15,543

*Gross of depreciation allowances.

†Profits of public bodies, rents, net income from abroad and residual error.

	EXPENDITURE (£ million)	
	1953	1954
Personal consumption	11,056	11,702
Current expenditure of public authorities ..	3,075	3,099
Capital formation:		
1952	1953	
Fixed assets	2,324	2,484
Stocks	125	175
	2,449	2,659
Plus exports and income received from abroad not offset by imports and income paid abroad	126	134
Gross national expenditure (at market prices)	16,706	17,594
Less indirect taxes (net of subsidies)	2,003	2,051
Gross national expenditure or product ..	14,703	15,543

If we go back to 1952 we find that while the rise last year was £840 million that in 1953 was £898 million. This gives the impression that progress was rather greater in the earlier year, whereas all the indications are that the reverse is the case. No detailed figures for the revaluation of the above figures at 1953 prices are available but the Economic Survey gives the following synopsis:

CHANGES IN REAL SUPPLY AND DEMAND
BETWEEN 1953 AND 1954
(at 1953 prices)

Supply	£ million
Gross domestic product	.. +625
Imports .. .. .	.. +140
	+765
<hr/>	
Demand	
Public authorities (including defence) .. .. .	.. - 40
Exports .. .. .	.. +240
Gross fixed investment .. .. .	.. +125
Investment in stocks and work in progress .. .. .	.. + 50
Personal consumption .. .. .	.. +390
	+765
	<hr/>

A similar table a year ago showed a rise of only £500 million in gross domestic product valued at 1952 prices, and as there was only a small rise in prices in 1953 it is evident that 1954 was the year of greater progress. While this was true of production the country did not benefit largely, as it had done in 1953, from a fall in the cost of imported materials. Of the total increase in production and imports, over half was taken by higher daily consumption and a larger fraction than a year before went in exports of goods and services. The proportion of the increase taken by gross investment fell, while there was an absolute decline in real terms in the amount taken by the public sector. This was due in part to the transfer of some of the business of keeping stocks from the Government to private industry as a result of the greater freedom enjoyed during the year. The figures of the table given above relate to the whole economy. For companies alone, there was a modest increase in the gross money outlay on fixed capital and a rise from £20 million to £360 million in the increase in value of stocks held. This was due to the

transfer already mentioned, to higher prices and to a substantial accumulation of work-in-progress inseparable from a rise in production. After covering these and other outlays British companies, excluding financial concerns, had £494 million available for other purposes against £582 million a year before. After providing for tax and dividend reserves the figures were £332 million and £505 million, respectively, of which a part was in fact again invested abroad. If it proves to be the case, as is commonly assumed, that actual investment will rise appreciably this year, industry will be less well equipped than it was a year ago to finance its own expansion. Other figures in the White Papers suggest that the rise in personal saving has been halted, in part by the dis-saving of which hire-purchase is one element, but these declines were more than offset by the public sector.

Leverhulme Research Scholarship in Management Accounting

QUALIFIED ACCOUNTANTS NOT older than thirty-five years of age are eligible to apply for a Leverhulme research scholarship in management accounting, value £2,000. The winner of the scholarship will spend a year in studying aspects selected by himself of the development of the accounting contribution to industrial or commercial management.

The scholarship is offered by the trustees of the Leverhulme Trust, which was set up under the will of the first Lord Leverhulme.

Application forms are obtainable from the Secretary, Leverhulme Scholarship Awards, St. Bridget's House, Bridewell Place, London, E.C.4. The closing date is May 31.

International Congress on Accounting, 1957

THE SEVENTH INTERNATIONAL Congress on Accounting will be held in Amsterdam from June 10 to 14, 1957. The Netherlands Institute of Accountants (Nederlands Instituut van Accountants) and the Association of University Trained Accountants (Vereniging van Academisch Gevormde Accountants) have appointed a Congress Committee under the

chairmanship of Mr. J. Kraayenhof, with Mr. A. L. de Bruyne, Director of the Netherlands Institute, as secretary, and it is hoped soon to send out a list of subjects proposed for discussion at the Congress. The Committee's address is 491, Herengracht, Amsterdam.

It is hoped that many Incorporated Accountants will desire to attend the Congress in Amsterdam. Members who wish to be kept informed of the arrangements regarding programme, Congress fees, and hotel and travel arrangements are asked to communicate with the Secretary of the Society.

Gift Cheques

ONLY A DIMINISHING band of veterans can remember the far off days when an indulgent uncle presented them with a golden sovereign as a parting gift. The disappearance of this coin with the first World War started a decline in the attractiveness of the means of payments only equalled by the expansion in their amount. It is true that the Scottish banks, with their private note issues, have done something to keep the flag of culture flying in this field. But in the South there is little relief to a dull mediocrity in design and texture of coin and paper alike. In these circumstances the Midland Bank, in pursuance of its policy of stimulating competition in service, has evolved the idea of the gift cheque, which it launched—without the aid of advertising from the silent presses of the national dailies—on the eve of the Easter holiday. Advertising is to come, some of it in colour: and it will be needed, for almost the most important feature of this scheme is that the cheques are to be available to any one, whether or not he or she banks with the Midland or has any banking account. They can be obtained from any branch of the bank on payment of a shilling, *plus* of course the amount of the gift intended. The cheques are crossed, and can be paid into any banking or savings account or disposed of by any of the means which those who do not enjoy these luxuries normally adopt.

Three designs have been prepared, for general purposes, for weddings

and for birthdays, and a fourth for Christmas is in preparation. The cheque itself incorporates a modest element of colour, and is contained in an attractive folder in full colour which can be retained as a memento of the giver. The first and third are designed by Mr. John Leigh-Pemberton and the wedding gift by Mr. Eric Fraser. A further point of some interest is that this is the first occasion on which the Midland Bank has advertised in colour in this country as part of its usual programme. This is not the first time that this bank has broken away from the rather sombre traditions of the past in this matter of attempting to attract custom but, as already stated, this departure is quite exceptional in that the service is offered to the public at large with no obligation—although no doubt with the hope—that those who use the service shall associate themselves with the bank as depositors.

Scottish Chartered Accountants

SIR IAN BOLTON, BART, O.B.E., H.M.L., J.P., has been elected President of the Institute of Chartered Accountants of Scotland. He is a partner in Messrs. McClelland, Ker & Co., of Glasgow and London. The new Vice-President is Mr. G. I. Stewart, M.C.

At the annual meeting on March 30 the retiring President, Sir John Somerville, recalled that the Scottish Institute was the first of the modern accountancy organisations to pass its hundredth birthday, and its centenary last year was therefore the centenary of the profession. The hundredth anniversary of the Institute of Accountants and Actuaries in Glasgow was celebrated in March 1955 in a more domestic atmosphere, although over 2,000 people attended one or more of the very successful functions.

Sir John spoke with pleasure of his visit to Canada and the United States last autumn, when he met many Scottish Chartered Accountants as well as the members of the Canadian Institute of Chartered Accountants and of the American Institute of Accountants. The Scottish Institute had cordial relations

with these and other accountancy bodies at home and overseas.

Stock Exchange Statistics

THE COUNCIL OF the Stock Exchange, London, have made another contribution to the store of national statistics with the publication of a volume entitled *Interest and Dividends upon Securities Quoted on the Stock Exchange London*. The compilation must have been a toilsome business, although some of the figures were already available. It gives for each of the past five years the totals of loan, Preference and Ordinary capital quoted on the Exchange together with the interest or dividends paid on them and the resultant average rate. It also distinguishes between loans in default and others. A split up of these figures according to the categories under which they are given in the Official List is provided but the reader is left to work out the individual averages for himself. In another part the volume gives the market value of capital by sections and the proportion which this bears to the nominal figure, and a number of other calculations which are of some interest. It also provides, for June 30 last only, the market value of all Preference and Ordinary capital, the dividends paid on each and the resultant average return. Eventually, as the years roll by, this last figure is likely to be the most interesting of all. It shows at that date an average of 5.63 per cent. on Preference and 6.01 per cent. on Ordinary. As was to be expected, the latter is appreciably above the more selective figure of the Actuaries' Investment Index, 5.56 per cent. on June 29, and the highly selective one of the *Financial Times*, 4.96 per cent. Dealing with the total of securities quoted and dividends paid, the Council is evidently correct in having excluded investment trusts from the calculation. But this does not seem to justify not giving them in the details. Further, it is evident that there is still a great deal of duplication in the figures, for all other financial institutions hold securities, while holding companies do not always own the whole capital of subsidiaries and

affiliates. Admittedly, there is no ready escape from this dilemma. Another criticism is the less readily understood decision to relate yields in most cases to nominal instead of to market values. Finally, these figures are all derived from details already published. One must be grateful to the Council for having done so much hard work, but there are other figures which could be compiled with less effort and which would be more valuable—turnover is one case in point—if the Council would face the odium which in well-established bodies seems too often to attach to any suggestion for a radical innovation.

Compensation under Hire Purchase

DESPITE ANY SETBACK to expansion arising from the fact that hire purchase business is to be placed under control, there is little doubt that it has come to stay, and may well develop new facets and acquire an even more detailed legal background than already exists. A reserved judgment given by Lord Justice Denning in the Queen's Bench Division on March 16 last seems likely to affect a number of agreements of this class. The case was *Lamdon Trust Ltd. v. Hurrell* [1955] 1 W.L.R. 391.

The action was brought by Lamdon Trust Ltd. against Mr. William Hurrell, as principal, and Mrs. Patricia Hope, as guarantor, for £122 4s. 0d. compensation for depreciation of a motor car taken by the plaintiffs under a hire purchase agreement. The car was purchased by the plaintiffs for £525 and let to Mr. Hurrell on instalment terms payable over twelve months until a total of £558 8s. 0d., consisting of £525 purchase price and £33 8s. 0d. financing charge, was paid. A deposit of £175 and four monthly instalments were paid; but the instalment due on January 28, 1954, was not paid, and on February 10, 1954, the plaintiffs gave notice terminating the hire of the car and took possession of it. They resold it for £270 and were then £14 8s. 0d. better off than if the agreement had been fulfilled. In addition, however, they claimed £122 4s. 0d. under clause 6 of the

agreement, which said that if the plaintiffs terminated the hiring and retook the car the principal defendant would pay a sum sufficient to bring his total payments up to £425 by way of compensation for depreciation.

Evidence was given on behalf of the plaintiffs that it was the usual practice of hire-purchase finance companies to stipulate for compensation for depreciation at the rate of 75 per cent of the purchase price, irrespective of whether the hirer failed to pay the first instalment or any later instalment, and without prejudice to the right of the finance company to retake the car and resell it for their own benefit.

That seemed to Lord Justice Denning to be altogether exorbitant. At one time it was thought that the courts of this country were powerless to interfere with clauses such as clause 6 on the ground that no question of penalty arose; but in *Cooden Engineering Co. Ltd. v. Stanford* [1953] 1 Q.B. 86, the Court of Appeal, by a majority decision, reversed the decision of Croom-Johnson, J., in the court below, and held that if such a clause imposed a penalty (as opposed to liquidated damages) it was invalid and unenforceable. The sole question to be decided in the present case, therefore, was whether clause 6 was a penalty clause. In two earlier cases to which his Lordship referred (*In re Apex Supply Co.* [1942] Ch. 108 and *Elsey & Co. Ltd. v. Hyde* (unreported)) the plaintiffs had recovered 75 per cent for depreciation, but that must have been because of the absence of any market at that time for goods of that type. Those cases could not now be regarded as establishing that 75 per cent was reasonable for all goods at all times. He was of opinion that £425 was an extravagant and extortionate sum held *in terrorem* over the head of the hirer. It was a penalty and as such was irrecoverable.

Transfers of Land by Local Authorities

RATHER MORE THAN a year ago the Ministry of Housing and Local Government gave its views on the adjustment of accounts on the appropriation of land. It may be useful

to examine the working of the recommended procedure in so far as concerns redevelopment areas.

The Ministry's view is that the appropriation of land from one purpose to another is not analogous to a sale: the local authority owning the land must be regarded as a single entity. In no circumstances will a loan sanction be issued, and where the transfer is between accounts which attract no grant and involve no questions of rate incidence, the only adjustments necessary in the accounts may be the transfer of liability for any outstanding loan charges and a transfer in the capital accounts. The Ministry regard the transfer as merely an accounting matter, requiring only suitable entries in the revenue accounts to reflect the redistribution of charge between them and in the capital accounts to record the change of user. The charge to the transferee account may be made in one year or spread over a number of years not greater than that normally allowed for a loan for the new purpose. If the local authority does not wish to retain a lump sum credit in the receiving revenue account, an extraordinary contribution from revenue to capital in the receiving account may be made; alternatively, repayment of debt may be accelerated.

It appears, therefore, that the Ministry will be satisfied with the accounting entries so long as the asset is eliminated from the transferor accounts and is recorded in the transferee service at the District Valuer's valuation, and the redistribution of charge is reflected in the revenue accounts. The adjustments in the revenue accounts may be made by way of a transfer of loan debt, or by way of an annuity payable by the transferee account to the transferor account. There would appear to be no need for a capital receipts account to represent any capital profit, since any profit would be a credit in the revenue account and if thought fit, could be carried to capital account as a revenue contribution, while any loss would be written-off to revenue, or spread over a number of years by way of a deferred charge.

The difficulty in dealing with trans-

fers of land from redevelopment areas is that it usually takes some months to complete all the purchases. Generally the planning accounts will be the creditor of the transferee accounts before the purchases are complete.

The simplest method of adjusting the capital accounts and revenue accounts is to transfer a corresponding amount of debt. This will avoid the payment of annuities between the planning accounts and transferee accounts. It is usually found that the final accounting entries cannot be effected until some time after the appropriation dates as the District Valuer's figures are not available, and if a year or more has elapsed before the final entries can be effected, provisional adjustments will be necessary. Most authorities make their loan advances from a mortgage pool, or consolidated loans fund, and the advances for the purchase of land will have been made to the planning account as and when the expenditure is made. If the amount of debt equal to the District Valuer's figures is transferred as from the date of appropriation in a year of account some time after such date, the revenue accounts may be adjusted by paying the arrears of loan charges from the transferee's account direct to the planning account. As from the year of account in which the adjusting entries are made, the transferee account can pay proper loan charges to the loans fund.

After all the adjustments have been made, the balance of expenditure on the planning capital account, consisting of any site clearance costs and balance of expenditure on land transferred, might be written off by the amount of debt repaid each year.

Shorter Note

Scottish Management Conference

The British Institute of Management will hold its fourth Scottish Conference at Turnberry, Ayrshire, on May 20 and 21. The theme of the conference is *New Techniques for Old*, and papers and addresses will deal with *Science and Management: Marginal Costing: Planned Maintenance: Electronic Computation: Merit Rating: and Selection of Executives*.

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EDITORIAL

SIR WINSTON CHURCHILL

APRIL, 1955, marks the end of a phase in British history, for, with the departure of Sir Winston Churchill from the post of Prime Minister, it is not to be supposed that conditions will ever be the same as they have been in the past fifteen years. Even in opposition he was always the most impressive figure in the House, and it is there that the change in the position of this great Parliamentarian will be felt first and most strongly, although the effects will, in time, spread throughout the country and beyond. It can be left to future generations to assess the whole work of Sir Winston. Fortunately we are not to be deprived of either his pen or his voice on issues of moment, or of his wit or his endearing sallies on matters of minor concern. Few capable of reflection at home can contemplate with equanimity what might have occurred had we not had the benefit of his leadership in the past, and his foreign admirers are legion. How far is his loss as Prime Minister reparable? Our most vital present problems cannot be solved by an effort of leadership such as placed the whole country behind Sir Winston during the war. If they could, he would probably still be in charge. In the less heroic days of the cold war Sir Winston has both held his own Party together and secured the maximum of co-operation from the official Opposition in all matters—and they were many—which required a united front in face of the world. It is symptomatic that, on the morrow of the resignation, there was talk of a triumvirate. Only time will show how far any grouping of his colleagues can do his job. Immediately, there is likely to be some loss of centripetal force, and Sir Anthony Eden's task will be no sinecure. It is not to be supposed that Sir Winston can wield his old influence from the back benches, but it is greatly to be hoped that he will long continue to instruct and entertain us as few others can and to let forth an occasional peal of thunder as circumstances demand.

An Act of Faith

MR. BUTLER, in presenting his fourth Budget, was faced with a double problem. In the economic field, he had a substantial surplus on the traditional basis—an estimated £282 million, compared with £433 million realised for 1954-55—but he is faced with continued uncertainty as to the overseas balance, an uncertainty which is caused at least in part by overspending at home. Leaving on one side all but the strictest economic considerations, it looked very much as though he ought not to make any concessions which could not be relied upon, with reasonable certainty, to produce either increased saving by the public at large or increased production. But against this, even the severest economic critic would allow that with taxation at its present level it is still desirable that it should be reduced. We are perhaps still the most heavily taxed people in the free world, and Mr. Butler at least believes that the total burden should be further diminished. But the Chancellor of the Exchequer must always be a politician, even if he chances also to be an economist and, particularly on the eve of an election, he must have regard to the political effects of his proposals. At the very least he must not so discourage the public by severity as to risk a setback in internal trade, while he must be equally careful not to be so generous that the Opposition could have some evident excuse for accusing him of attempting to bribe the electors. He might very well believe that the best policy was to encourage saving, but it would not be easy to give

reliefs only to those, mostly corporate bodies, which can really afford to save much.

In the event Mr. Butler, after a very full diagnosis of the position, has decided that he can afford a compromise and has given away almost half his surplus. He has resisted the blandishments of all particular sections of industry, with one exception, and has concentrated almost the whole relief on reductions in the rates of income tax and some adjustment of the allowances. In the process he has removed almost two and a half million more people from the operation of income tax, but it seems that the average amount paid by these people was very small and that the equivalent of three-fifths of the total figure had been added to the roll during 1954-55 by the increase in wage packets. Very properly, in view of the rise last year in the cost of living and of its probable continuance this year, relief has been given to the necessitous first; but, inevitably, the largest relief to individuals has been to those who have hitherto paid most. There also appears to be an incentive effect in the reliefs for those who are prepared to earn more than the basic wage of around £10 to £11 weekly. That at least is the intention. Relief at the bottom is extended to those whose unearned income is modest, and who are now to have rather more of it treated on the same basis as earned income. The only other relief is the halving of the purchase tax rate on non-woollen textiles and certain types of plastic sheeting. The former is of

course a gesture to help certain sections of Lancashire and Northern Ireland which have run into renewed difficulties. It need hardly be said that the relief is considered, locally, to be insufficient and that there is disappointment that the tax has not been remitted *in toto*.

Looked at in the large, it is necessary to admit that this is a generous Budget, even if it is not a "soft" one. How does the Chancellor arrive at the conclusion that it is wise to give relief of £134 million when his traditional surplus is down by some £150 million and his liabilities below-the-line are up by over £80 million? It is certainly not because he has failed to see the need for increased exports, if the standard of living is to be maintained, let alone raised, or because he does not appreciate that increased investment, believed to be on the way, will call for larger savings. The explanation is to be found in his faith in the intelligence and energy of the public at large. Despite the fact that most observers—possibly lacking some of the figures at the disposal of the Chancellor—believe that the prospects of increasing production are less this year than last, Mr. Butler believes that the scope is "at least as great as it has been in the past, if not greater." Further, while most people see in the halt in the rise in personal saving last year, and the accentuated rate of rise in wage rates since last November, a warning of increased competition with exports, Mr. Butler estimates

"that the increase in home demand should be appreciably less than it has been in the past two years." Presumably this means in each of the last two years, and that must mean that he is postulating either much increased personal saving or a material rise in prices.

As suggested above, this constitutes an act of faith in the British people, masters and men alike. It means that he expects an early completion of the long process of converting all those concerned with industry to the absolute necessity of putting higher productivity per man-year and per machine-hour before other considerations. It also seems to imply that the housewife will react more generally than she has done—but as she did in the case of tea—to fairly sharp increases in price. If one may venture on a personal note, it has always seemed to be one of the Chancellor's characteristics that he believes firmly that people respond in kind to the treatment meted out to them. Whether or not it is to be his fate to carry the country through the period for which he has now made the preliminary financial provisions, it must be the hope of all that his confidence in these particular matters will be justified. Meanwhile, it is pertinent to remember that he keeps at his disposal, to rectify any errors in his estimates, the weapon of credit policy, while it is also to be noted that he has hinted that the next Government may have to consider further fiscal measures later in the year.

National Savings Certificates

[CONTRIBUTED]

THE OBJECT of this article is to examine the chief stock line of the National Savings movement—"certificates, national savings, ninth issue" from the viewpoint of a tax-minded investor.

But firstly, a few basic facts concerning certificates:

- (a) Security—gilt-edged.
- (b) Yield—3 per cent. free of tax (net average over ten years).
- (c) Purchase—free of expense and difficulty but there are restrictions defining who may hold certificates and the maximum holding per individual.
- (d) Realisation—comparatively easy and free from incidental costs.
- (e) Transfer of ownership—not permissible where transfer constitutes a sale.

The diagram on page 169 shows in block form the annual increments. A single certificate costing fifteen shillings is worth one pound and threepence ten years from the date of purchase. The line graphs set out the annual gross yields assuming a standard rate of income tax of 9s. in the pound, the average gross yield over ten years being 5½ per cent.

The table below seeks to examine the annual yields in more detail. As will be readily appreciated, the certificate passes through three distinct phases during the first ten years of its life. If we consider the sur-tax payer, for example, the tycoon earning £20,000 per annum, the slice

of income from an investment in national savings certificates shows an average gross yield of 62 per cent over the first ten years. The other side to this rosy picture is the maximum holding restrictions of the ninth issue—1,000 units of 15s. or £750.

Year	Continuous		Gross Yields assuming Income			
	Net Yield	Net	Tax Rates			
	Compound	Yield	9/-	7/-	5/-	2/6
	%	%	%	%	%	%
1	1.7	1.7	3.1	2.6	2.3	1.9
2	1.7	1.6	2.9	2.5	2.1	1.8
3	2.2	3.2	5.8	4.9	4.3	3.7
4	2.4	3.1	5.6	4.8	4.1	3.5
5	2.5	3.0	5.5	4.6	4.0	3.4
6	2.6	2.9	5.3	4.5	3.9	3.3
7	2.6	2.9	5.3	4.5	3.9	3.3
8	2.8	4.2	7.6	6.5	5.6	4.8
9	3.0	4.0	7.3	6.2	5.3	4.6
10	3.0	3.8	7.0	5.8	5.1	4.3
Average		3.1	5.5	4.8	4.1	3.5

Special considerations apply for persons who qualify for old age allowance or small income relief and whose investment income is in effect treated as earned income. In such cases the effective gross yields would be calculated at seven-ninths of the relevant tax rate.

After the tenth year the certificates continue to earn interest. When the "maturity" date is approaching it is the official practice to announce the interest rate which the Government is prepared to pay on certificates held beyond that date. Whether it is more advantageous to convert an earlier issue into a current issue is a problem requiring careful consideration, for the basis of the yield on savings certificates changes after a certain period from a compound to a simple interest yield. However, maximum holding restrictions* and the yield on current certificates are factors to be taken into account before deciding on a switch.

Use of Certificates as Income

One use of savings certificates is to encash them at regular intervals to provide a supplementary income. This course may be attractive to persons approaching retirement. Whilst there are countless ways of arranging this, two chief methods will be:

- realising a regular number of certificates, thus providing a varying income, and
- encashing a varying number of certificates to produce an approximately fixed income.

Assuming that the holding is 500 units, under method (a) fifty units may be realised annually over ten years to provide an income of £38 2s. 6d. in the first year, £38 15s. 0d. in the second year, and rising at regular intervals of £1 5s. 0d. for the third to seventh years and thereafter at intervals of £1 17s. 6d. per annum until the income is £50 12s. 6d. in the tenth and final year. The total return under this particular method is £435 12s. 6d. Under method (b) a suggested encashment is:

Units							
Year	Encashed	Principal		Interest		Total Return	
		£	s. d.	£	s. d.	£	s. d.
3	70	52	10 0	3	10 0	56	0 0
4	67	50	5 0	5	0 6	55	5 6
5	65	48	15 0	6	10 0	55	5 0
6	64	48	0 0	8	0 0	56	0 0
7	62	46	10 0	9	6 0	55	16 0
8	60	45	0 0	11	5 0	56	5 0
9	57	42	15 0	12	16 6	55	11 6
10	55	41	5 0	14	8 9	55	13 9
	500	£375	0 0	£70	16 9	£445	16 9

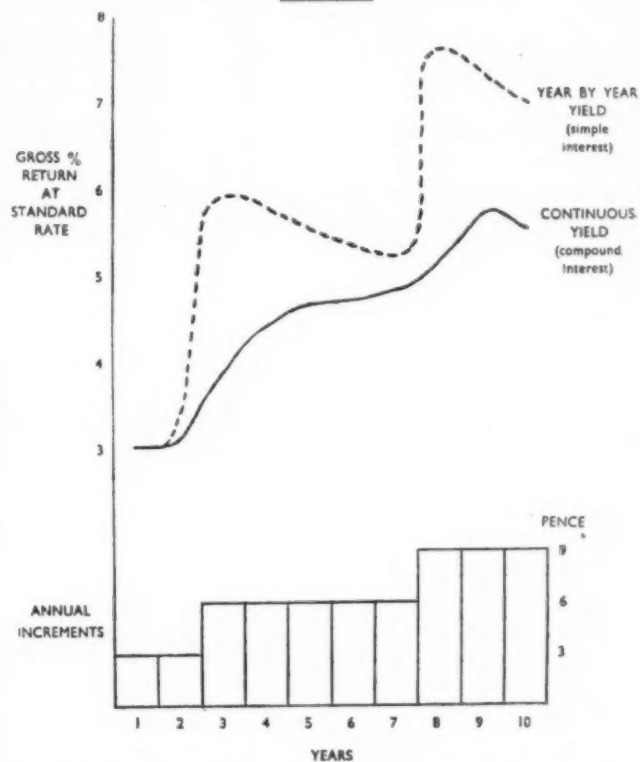
If the certificates were left intact and encashed at the end of the ten years £506 5s. 0d. would be received.

Retirement Savings Schemes

There are several different ways of group saving, but two new savings schemes have recently been launched by the

*1,000 unit certificates of the ninth issue or their equivalent in multiple certificates and existing holdings of certificates of previous issues, which may not normally exceed 500 units of the seventh and earlier issues (whether of one issue or a combination of those issues), 250 units of the £1 issue and 1,000 units of the eighth issue (purchase price 10s. per unit).

NATIONAL SAVINGS CERTIFICATES
NINTH ISSUE



National Savings Committee which deserve the serious consideration of employers who for one reason or another have found themselves unable to start a pension scheme. Let it be clearly understood that these are not pension schemes, but they are designed to enable employers to encourage employees to save by adding to those savings with the ultimate aim of providing a lump sum to be available on retirement or, if desired, on leaving the firm.

A big attraction is that the employers' contributions will be allowed for tax purposes, whilst the employees' taxable incomes will not be increased by either the regular contributions or the lump sum.

Membership is restricted to *bona fide* employees earning not more than £2,000 per annum. Members' subscriptions and employers' contributions are fixed to meet the wishes of the particular firm, the latter being limited to 10 per cent. of wage or salary or £100 per annum, whichever is the less. The employees' savings go into national savings certificates or Defence Bonds, and a trust fund managed by trustees appointed by both employees and employers is arranged to receive the employers' contributions.

The schemes are readily adaptable to meet the need of most firms. They seem likely to appeal to those without pension schemes, or as a means of doing something for employees who are excluded from the normal pension scheme, especially those in the younger age groups or the medical rejects.

This is a new departure in national savings but it seems to be one with a distinct future.

Modern Developments in Secretarial Practice

By A. K. MARTIN, F.C.I.S.

BOTH PRACTISING ACCOUNTANTS and accountants in commercial organisations are frequently called upon to undertake secretarial duties. It is considered that the following notes on current practice may be of value to them.

Share Transfers

Administrative procedure in the registration of transfers of shares and debentures has recently been altered by the introduction of new regulations under the Exchange Control Act, 1947. The Bank of England has issued a new series of E.C. Securities Notices effective from January 10, 1955, in replacement of those which had been in operation since October 1, 1947.

Briefly, the main changes affecting company secretaries and registrars are as follows:

- (1) The classification of "Temporary Recipient" is now abolished and stockbrokers and others previously coming under this heading are now grouped with banks as "Authorised Depositaries."
- (2) Forms D1 and D2 no longer require completion: in fact, these and certain other forms are now obsolete.
- (3) A transfer is deemed to be in order, for exchange control purposes, if it is lodged by an Authorised Depositary. Paragraph 4 of Part III of Notice E.C. Securities 10 states "The stamp of an authorised depositary *may* be accepted as evidence of lodgment by that Authorised Depositary." It should be noted that this clause is purely permissive and apparently does not entitle the company to insist on a stamp appearing on every instrument of transfer as evidence of lodgment. In practice, stockbrokers frequently lodge transfers for registration without any stamp on the instrument itself, but accompanied by a memorandum slip giving brief details of the transfers which are enclosed. Provided the information on the slip is sufficient to identify the transfer with the authorised depositary by whom it was lodged, there appears to be no objection to this procedure. It is suggested that in such instances the memorandum slip should be attached to the back of the relevant instrument of transfer, cross references being made in the event of several transfers being delivered with only one enclosure slip.

Where a transfer is not lodged for registration by an authorised depositary, declarations similar to those previously contained in forms D1 and D2 must be signed by an authorised depositary or by a bank or stockbroker in any of the Scheduled Territories other than the United Kingdom. This procedure would have to be adopted, for example, in the case of a transfer being presented for registration by a resident of one of the Dominions or Colonies.

A further minor modification of transfer procedure arises from the change of attitude regarding witnessing of signatures. Many companies will now permit a spouse to

act as witness provided the instrument of transfer is executed in the United Kingdom.

New Issues

The new exchange control procedure also applies to documents used in connection with new issues of shares or debentures. The following summarises the position:

(1) *Issues for Cash*

(a) When applying for shares or debentures in connection with an issue to the general public, the applicant himself must sign a declaration to the effect that he is not resident outside the Scheduled Territories and that he is not acting as nominee for a person so resident. However, in the case of a "rights" issue to existing shareholders, it is not necessary to make such a declaration, and in such circumstances it is now possible to dispense with form completion at the time of payment for the share entitlement.

(b) Forms used in connection with renunciation of allotment do not need to be accompanied by declarations in the style of forms D1 and D2.

(c) The form of application for registration normally contained in allotment letters must contain a declaration as to residence. However, this declaration is made by the applicant himself and there is no need for the form to be signed by an authorised depositary. Technically, under the regulations it would appear that declarations can be dispensed with entirely if the allotment letter is lodged with the company by an authorised depositary; but it is obviously simpler to incorporate the declaration in the registration application form so as to provide for instances where allottees prefer to lodge forms personally, without the intervention of an authorised depositary.

(2) *Capitalisation Issues*

(a) When shares issued under a capitalisation scheme are taken up by the allottee no forms or declarations need to be completed.

(b) When renunciation takes place, the renouncee must sign a declaration similar to that referred to in paragraph 1 (c) above.

(3) *Bearer Documents*

Specific permission is no longer required for the issue of temporary bearer documents such as renounceable letters of allotment, acceptance or rights or scrip certificates to bearer, provided that the terms of issue require registration to be effected not later than six months from the date of issue of the first of such documents. Option certificates to bearer may be issued provided they are not valid for a period exceeding two years.

Filing Documents with the Registrar of Companies

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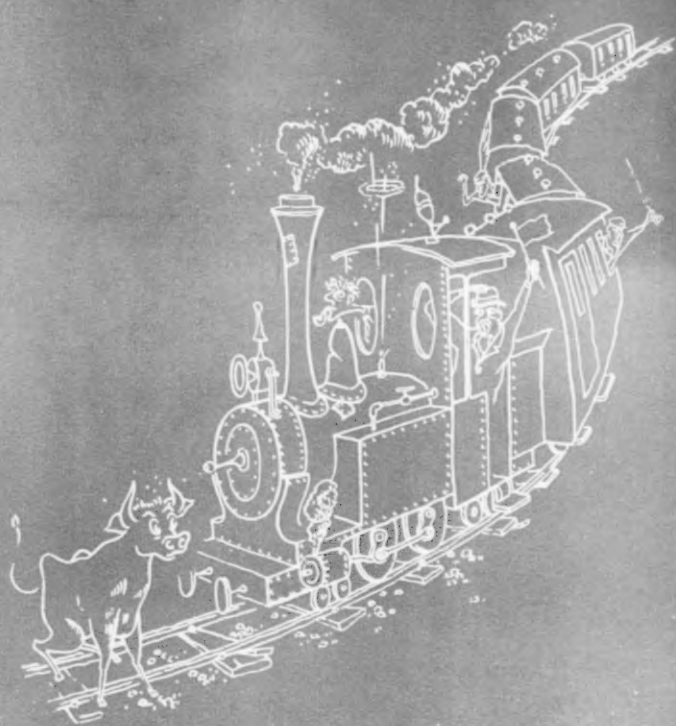
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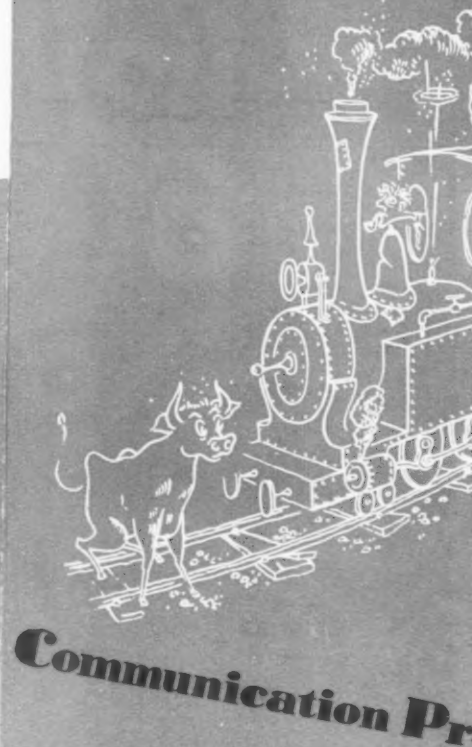
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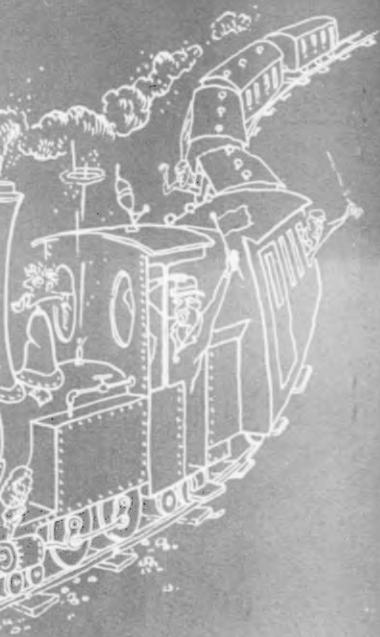


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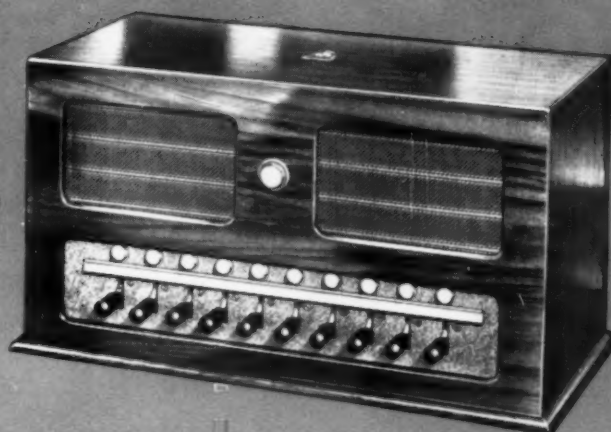
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and certain anomalies have come to light in recent years. It is to be hoped that in the course of time there may be further legislation to correct the present situation. Meanwhile, the following comments may help those concerned.

Although the register of members is no longer required to contain details of shareholders' occupations, Section 52(1) of the Act demands that "descriptions" of allottees should be stated in the return of allotments. In the case of an issue resulting from capitalisation of reserves it is normally unnecessary for shareholders to complete an application for registration unless the shares are taken under renunciation arrangements and there is therefore no opportunity of obtaining details of occupations. It is understood that the Registrar is prepared to accept a return of allotments without specific occupations being stated, provided the names of allottees contain descriptions such as "Mr.," "Mrs.," "Miss," or titles such as "Sir."

Section 52(1) creates a further difficulty in prescribing that the return of allotments must be filed within one month of allotment. Where no right of renunciation is given no difficulty arises, as all the allottees are entered on the register of members and addressing machine stencils have to be cut in the normal way. However, in the case of a shareholder renouncing his entire allotment, there will be no necessity to cut a stencil, as his name will not be entered on the register and details need not be disclosed in the next annual return. Thus, if the company complies with the strict interpretation of the Act, the return of allotments will give details of allottees before taking account of any renunciations and either stencils will have to be cut for every allottee (with the possibility of wasted stencils owing to subsequent renunciations) or, alternatively, the entire return will have to be typed or handwritten. The Registrar of Companies recognises the difficulty and is normally prepared to accept a return of allotments based on the position after the closing date for registration of renunciations, despite the fact that the return is filed more than a month after the date of allotment.

Company Meetings

The interpretation of a very common clause in articles of association relating to quorum at general meetings has been upset by the decision in the case of *Re Hartley Baird Limited* [1954] 3 W.L.R. 964—noted in ACCOUNTANCY, February, 1955, page 78.

A class meeting of shareholders was convened in connection with a variation of rights and certain resolutions were approved in accordance with the provisions of the articles. A quorum was present at the beginning of the meeting but at the time when the particular resolutions were submitted for approval one shareholder had left the meeting, reducing the number present below the quorum.

The articles provided that "no business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business." Wynn-Parry, J., held that such an article merely required a quorum to be present when the meeting proceeded to consider the business for which it was convened and that it was not

necessary for a quorum to be present at all times during the continuance of the meeting. In fact, the learned Judge ruled that the resolutions concerned were validly passed, and in consequence it seems that where such an article is in force it is unnecessary for a quorum to be present at the time when a vote is taken provided that there was a quorum at the commencement of the meeting.

This decision is particularly important as the article in question is almost identical with Clause 53 of Table A. It is submitted that in the circumstances those concerned with drafting articles might find it preferable to use the words "No business shall be transacted at any general meeting unless a quorum is present."

Foreign Companies with a place of business in Great Britain

It frequently happens that a foreign company with shareholders resident in Great Britain makes arrangements for the establishment of a transfer office in this country. Where a firm is appointed as London registrars in their own name as agents for the foreign company, there is no liability to notify the Registrar of Companies. If, on the other hand, an office is established in the name of the foreign company, then that office becomes a "place of business" of the foreign company, even though registration work is the only "business" carried on in this country. Accordingly Part X of the Companies Act, 1948, applies and copies of the memorandum and articles, annual accounts, and particulars of directors, etc., have to be filed with the Registrar.

Section 407 (1) (c) of the Act provides that an overseas company with a place of business in Great Britain must advise the Registrar of "the names and addresses of some one or more persons resident in Great Britain authorised to accept on behalf of the company service of process and any notices required to be served on the company." There is, however, no provision in the Act for giving notice to the Registrar of a foreign company ceasing to maintain a place of business in this country, or for the withdrawal of the names of the persons authorised to accept service of process and notices. Moreover, the Companies (Forms) Order, 1948, does not specify the form which any such notice should take. A "letter of cessation" addressed to the Registrar is the correct method of dealing with the circumstance. The following is a draft of such a letter:

The A.B. Company Limited.
(Registered in the Union of South Africa)

London Office:
123 London Wall,
London, E.C.2.
May 2, 1955.

The Registrar of Companies,
Bush House,
South West Wing,
Strand, London, W.C.2.

Dear Sir,

Oversea Company No. F.1234.

I have to advise that in accordance with the instructions of the Board of directors in Johannesburg, the London Office of this company will be closed as from to-day's date. As this is

the only place of business of the A.B. Company Limited in Great Britain, the provisions of Part X of the Companies Act cease to apply to the company. Kindly arrange to delete from your records the names of Mr. B. C. Jones and Mr. F. G. Smith as persons authorised to accept service of process and notices on behalf of the company.

Yours faithfully,

R. BROWN,
London Secretary.

This letter must be accompanied by a filing fee of 5s.

An interesting point in connection with oversea companies has recently arisen in the case of *Deverall v. Grant Advertising Inc.* [1954] 3 W.L.R. 688 (see ACCOUNTANCY, January, 1955, page 34). The defendant company,

incorporated in Texas, had established an office in London but had failed to notify the Registrar as provided by Section 407 of the Act. The plaintiff served a writ on the company at the defendants' office subsequent to business having ceased at that address, there being no other place of business in Great Britain. In the Court of Appeal it was held that the service was bad, as to be valid the writ must be served at an existing place of business and not at a place from which the company had removed before service was effected.

It should be noted that this ruling can apply only in the event of failure to notify the Registrar of a person or persons who are liable as individuals to accept service of process on behalf of the company.

Amalgamation and Reconstruction of Companies

[CONTRIBUTED]

THE EXPRESSIONS "amalgamation" and "reconstruction" have been employed in a number of statutes, and their meaning is far from clear. For example, they are to be found in Section 55 of the Finance Act, 1927 (as amended by Section 31 of the Finance Act, 1938), which conferred relief from capital and stamp duty; in Section 154 of the Companies Act, 1929, now Section 208 of the Companies Act, 1948, which provides for the sanctioning by the Court of compromises and arrangements proposed in connection with the reconstruction and amalgamation of companies; and in Section 10 (3) of the Trustee Act, 1925, which provides that where any securities of a company are subject to a trust, the trustees may concur in any scheme or arrangement

(a) for the reconstruction of the company; (b) for the sale of all or any part of the property and undertaking of the company to another company; (c) for the amalgamation of the company with another company; (d) for the release, modification or variation of any rights, privileges or liabilities attached to the securities or any of them;

in like manner as if they were entitled to such securities beneficially, and subject to certain powers.

The expressions are also used in documents such as leases.

No Defined Meaning

A perusal of the authorities indicates

that the expressions "amalgamation" and "reconstruction" have no clearly defined meaning; that they are commercial terms, which even as such are somewhat vague; and that they have to be construed in relation to the context in which they appear. It has been said that it is easier to know what is an amalgamation when one sees one than to give a containing definition which will embrace all the circumstances in which an amalgamation or a reconstruction will be constituted.

What may constitute an amalgamation or reconstruction for the purpose of one enactment may not do so for the purpose of another, or for the purpose of a document, such as a lease to a company, containing a prohibition against winding up. It is possible only to examine what meaning has been attached to these expressions in some of the more important cases in which they have been considered.

In *Higg's Case* [1865] 2 H. & M. 657, Lord Hatherley (at page 666) said that he could not give a definition of "amalgamation" and he suggested that an amalgamation would result when the companies to be amalgamated abandoned their respective articles of association and registered themselves under new articles as one body. Lord Davey and Kennedy, J., expressed similar views in *New Zealand Gold Extraction Co. v. Peacock* [1894] 1 Q.B. 622, at pages 632, 627.

In *Imperial Bank of China, etc. v. Bank of Hindustan, etc.*, the transfer of the whole of a company's business to another company in consideration of shares in the latter was held to be not an amalgamation, but a sale and transfer.

In *Wall v. London and Northern Assets Corporation* [1898] 2 Ch. 469, the objects of a company included (i) to sell any part of its assets and to accept the consideration in cash shares or other securities, (o) to amalgamate with any persons, companies, or firms carrying on business of a like nature. The A. Company agreed with the D. Company, which carried on a similar business, to sell to the D. Co. all its assets (except 3,325 £2 shares in the D. Co. held by the A. Co.) for £60,991, to be satisfied as to £59,736 by allotment of 29,868 fully paid up shares of £2 each in the D. Co., and the balance of £1,255 in cash or fully paid up shares at the option of the A. Co. It was provided by the agreement that the shares so allotted and the shares in the D. Co. already held by the A. Co. were to be divided among the shareholders of the A. Co. in the manner therein mentioned. It was held that the proposed sale, being a sale of the assets of the A. Co. with a substantial exception, was within object (i) above, and that the transaction was also an amalgamation within object (o).

In his judgment (pages 478-9) Lindley, M.R., said:

No very precise meaning can be given to the word "amalgamate" when we talk about amalgamating a company with any persons, companies, or firms and I confess that I am not prepared to put any sharp definition upon the word. I have no doubt that it includes the case put by Lord Hatherley in *Higgs's* case and more recently by Lord Davey in *New Zealand Gold Extraction Co. v. Peacock*. I do not think it involves the formation of a new company to carry on the business of an old company. I have no doubt it includes that; but I do not think it is confined, or understood to be confined, to that. I do not see how a company as a business transaction can practically amalgamate with persons or companies carrying on business unless the company in some way or other sells its assets as a whole—not for money, for that would be a simple sale—but for shares in the purchasing company. Therefore, if a larger power of transferring assets than is found in clause (i) is wanted it is, in my judgment, found in clause (o). As it appears to me, the real foundation of the appellant's argument fails, and this transaction is not *ultra vires* so far as regards the sale of the assets.

Materiality of Consideration for Transfer

The observations of Chitty, L.J., in that case at pp. 481, 482, are also of interest:

Then with regard to amalgamation. I agree that the term has no fixed meaning in point of law. You have to see how the term is used in the particular document that has to be construed. I have referred during the argument to Mr. Palmer's book, not as an authority, but for the purpose of seeing how a gentleman well versed in the ordinary business of forming companies and amalgamating companies, and dealing with companies from the lawyer's point of view, treated the subject, and I find that among his precedents of amalgamation he includes what is really a sale and transfer. In this case there is a sale of the assets with the exception that I have mentioned, and there is, I think, an amalgamation in this sense—that the purchasing company gives to the selling company shares in itself to be distributed according to the clause which I shall mention presently. That seems to me in the ordinary and reasonable sense of the term, and certainly in the sense in which it is used in this article, to be an amalgamation. In strictness I do not understand how you can amalgamate two corporations having each a separate existence. It has been suggested by Mr. Cozens-Hardy in a very excellent argument that one way (and I agree with him so far) is to form a third company. That is not, in any strict sense, an amalgamation of two companies. The two companies sell and transfer

their undertakings to a new entity—that is, a third company established for that purpose; and then the two companies which are said to be amalgamated with this new entity vanish out of existence and wind themselves up and disappear. The term cannot be said to have any strict legal sense, but in this memorandum and in this particular clause (o) there is an amalgamation mentioned, not of companies, but a power to amalgamate with any person or company. How can a company amalgamate with a person in any reasonable sense of the term, unless you put a wider meaning upon it than Mr. Cozens-Hardy is willing to do?

Sale Distinguished from Amalgamation

What is of particular importance in this judgment is the fact that a sale of assets is to be distinguished from an amalgamation.

If the consideration for the transfer of the assets of the company is merely money, then the transaction is merely a sale. In order to constitute an amalgamation one must go further and show that the consideration for the sale consisted of shares in the purchasing company issued to the transferor company or to its members.

It seems that the doubt expressed by Chitty, L.J., whether there can be an amalgamation in the strict sense by the creation of a new entity to which the transferor companies sell and transfer their undertakings, cannot be upheld, particularly in view of later cases such as in *Re Walker's Settlement* [1935] 1 Ch. 567.

In that case a scheme of arrangement was promoted by the directors of six electric lighting companies serving different London areas, under which their capital or at least 90 per cent. thereof was to be acquired by a holding company which would issue shares at par value to the stockholders in exchange for their holdings. The objects of the holding company were to control the policy of the constituent companies, to effect economies in administration, and to carry on other business which might advantageously be combined with that of the companies, but was beyond their powers. No transfer of the undertakings of the constituent companies to the holding company was either effected or intended, but the pooling of profits was suggested as a future possibility. It was held that the scheme was not "an amalgamation of the company with another company" within the Trustee Act, 1925, Section 10 (3)(c), in which the trustees of a settlement comprising

a sum of stock of one of the constituent companies would be authorised to concur.

Lord Hanworth, M.R., in his judgment at page 580 stated that what it seemed was contemplated by an amalgamation under Section 10 (3)(c) of the Trustee Act of 1925 was the amalgamation of a company with another company by a new company, although he did not go so far as to say that all amalgamations within this Section could only be carried out by means of a new company. He also pointed out (page 581) that there was a distinction between the amalgamation of companies one with the other, on the one hand, and an amalgamation of the undertaking of a company with the undertaking of another, or of the property of a company with the property of the other.

A "Blending" Essential for Amalgamation

The word "amalgamation" in itself contemplates something akin to an "amalgam," a *rolling* of two concerns into one, or a *welding* of two things together resulting in an amalgam—a blending of undertakings, as Buckley, J., as he then was, expressed it in *Re South African Supply and Cold Storage Co.* [1904] 2 Ch. 187. But Romer, L.J., in *Re Walker's Settlement* [1935] 1 Ch. at p. 582, stressed the point that an amalgamation of *undertakings* was not the same as an amalgamation of *companies*. Thus, he said in referring to the above expressions of Buckley, J.:

I think he was only intending to refer to the fact that, as the result of an amalgamation proper of two companies, there must be an amalgamation of the two undertakings. It is quite obvious that you can have an amalgamation of the undertakings of two companies without there being an amalgamation of the two companies. If one company sells its undertaking to another for cash and the purchasing company thenceforward carries on its own undertaking and the purchased undertaking as one, without question there has been an amalgamation of the two undertakings. There has not been in that case an amalgamation of the two companies. I find some definition, if it be a definition, of "amalgamation" in *Buckley on the Companies Acts*, 11th edition, page 487. It is a definition which, so far as it is a definition, I should like to adopt as my own; it is there stated as follows: "The word 'amalgamation' has no definite legal meaning. It contemplates a state of things under which two companies are so joined as to form a third entity, or one company is absorbed into and blended with another company."

Different Modes of Amalgamation

Lord Justice Romer then went on to give the following illustration (at p. 583):

Two companies can amalgamate, as one knows, in either of two ways: company A can sell its business and undertaking to company B in consideration of shares in company B. Company A then goes into liquidation and distributes the shares in company B amongst its shareholders, and the result of it all is that, whereas there were previously two corporations, A and B, corporation A has now become merged in corporation B. *There is only one corporation carrying on one undertaking with one set of shareholders.* Another way in which it is frequently done is that a third company, a new company, company C, is formed, and both the companies A and B sell their undertakings to company C in consideration of shares in undertaking C. The shares in A and B are then distributed amongst the shareholders by means of liquidation, and companies A and B cease to exist. As the result of the transaction there is now *one corporation C in place of the former corporations A and B. There is one set of shareholders instead of two sets of shareholders, one undertaking instead of two undertakings.*

In his view the scheme proposed in *Re Walker's Settlement* would not result in either an amalgamation of the six corporations or an amalgamation of the six undertakings.

In his view an amalgamation might be carried out by a purchase by one company of all the shares of another company with which it proposed to amalgamate. The purchase of the shares, however, was merely a step in the direction of amalgamation, which would eventually be brought about "by the first company being put into liquidation by the company which has bought all its shares, or the large majority of its shares, and by the acquisition by the purchasing company of the undertakings of the first company." There would then be an amalgamation not only of the companies themselves but also of their undertakings.

One Corporation—One Undertaking—One Body of Shareholders

And Lord Justice Romer summed up the position by stating that the essential quality of an amalgamation was that there should be henceforth one corporation (instead of a number of corporations), one undertaking (instead of a number of undertakings), and one body of shareholders (instead of different bodies of shareholders).

It would appear that a mere purchase of the shares or of the undertaking of one

company by another would not be sufficient *per se* to constitute an amalgamation. In stating that it was necessary that there should be one set of shareholders, Lord Justice Romer must be regarded as meaning, as he stated earlier in his judgment (*ibid.* at p. 584), that there must be "a blending together of all the shareholders." This would appear to necessitate that the shareholders of the acquired company should receive shares or at any rate some tangible interest such as debentures in the acquiring company as consideration for the transfer. Otherwise a mere money consideration would result merely in a "sale," as was pointed out in *Wall's* case [1898] 2 Ch. at p. 479.

And in order that there should be a blending together of shareholders it would be necessary that one should be able still to see the shareholders of the company being acquired, though in a new guise, as shareholders of the acquiring company.

Maugham, L.J., in his judgment in that case ([1935] 1 Ch. at p. 587) pointed out that what Section 10 (3) of the Trustee Act, 1925, was contemplating by an "amalgamation" was an amalgamation of company into company—a state of things under which two companies were so joined as to form a third entity, or one company was absorbed into and *blended with* another company.

After indicating that it was possible for there to be such an amalgamation under Section 154 of the Companies Act, 1929 (now Section 208 of the Companies Act, 1948) without a sale of assets by one company to another, since under this Section the Court might direct a dissolution without winding up of the transferor company and an appropriation by the transferee company of shares in the other company, Maugham, L.J., proceeded to state (at page 588):

Can an acquisition of shares by a holding company properly be described as an amalgamation of the company whose shares, or a controlling interest therein, are being acquired by the holding company? For my part, I must answer that in the negative. It is material to remember that there is no warrant for limiting Clause (c) to a case where there is to be an acquisition of not less than 90 per cent. of the share capital of the company in which the securities are subject to the trust. Apparently, the mere acquiring of a controlling interest would have to be regarded, according to the view of the appellants, as resulting in an amalgamation. For my part, I do not believe there is any warrant for so wide an extension of the sentence.

Maugham, L.J., concluded his judgment with these words ([1935] 1 Ch. at pp. 589–590):

In the argument for the appellants I do not think it was suggested that the acquisition of shares by a holding company in a single other company can properly be described as an amalgamation of that company with a holding company. What was said was that if there are a number of subsidiary companies whose shares are being acquired by a holding company, you can then say that each subsidiary company is amalgamated with each other subsidiary company; but it is to be noted that, although the singular would include the plural, you have to make the sub-Section we are considering, namely, a scheme "for the amalgamation of the company with another company," apply if there is only a single company which is being amalgamated with the other company. It seems to me impossible to say, if the whole transaction consists of certain shares in another company being acquired by a holding company (the controlling interest, I will assume, being acquired by the holding company), that that alone involves an amalgamation.

It is submitted, therefore, that whatever else may be blended together (the undertaking or property of the company being acquired), it is essential if an amalgamation is to be constituted that there should be a blending together of the shareholders of the acquired company and the acquiring company. For this purpose it would be a *sine qua non* that the consideration for the transfer of the shares should be, not cash, but substantially shares or debentures or a similar interest in the acquiring company.

Reconstruction

On the question of reconstruction, there does not appear to be the same amount of case law.

One of the leading cases is *Hooper v. Western Counties, etc., Telephone Co.* [1893] 68 L.T. Rep. 78. In that case a company issued debentures of £100 each bearing interest at 5 per cent. payable in 1896, but subject to provisions that the company might, at any time after the expiration of one year from the date of the debenture, redeem the same by giving three calendar months' notice to the holder, and paying to such holder £105 for each £100 debenture with interest up to the day of payment, and that, if the company commenced to be wound-up otherwise than for the purposes of reorganisation or reconstruction, the principal money secured by the debenture should become

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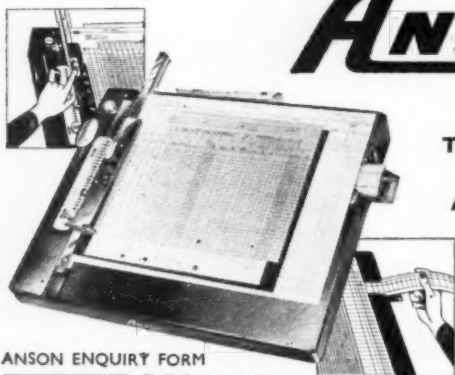
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immediately payable. In June, 1892, the company entered into an agreement for its amalgamation with another company, and resolutions for voluntary liquidation were passed for the purpose of carrying the agreement into effect. It was held that the transaction, which was that of a small company joining with a larger company, was not a reconstruction or reorganisation of the company.

It is to be observed that as far as the question of amalgamation was concerned—that question was not in issue—the agreement between the D. Co. and the N. Co. provided for the sale to the N. Co. of the whole undertaking and assets of the D. Co. (with certain exceptions) in consideration of the allotment of certain shares in the N. Co. to the D. Co. or its nominees in exchange for shares in the D. Co. and also in consideration of the exchange at par of the debentures of the D. Co. for debentures of the N. Co. and of a sum in cash equal to the par value of the Preference shares and debentures held by persons not consenting to exchange.

In this case, therefore, the requisites of an amalgamation were satisfied in that there was substantially a blending not only of the undertaking and property, but also of the shareholders of the D. Co. with those of the N. Co.

In his judgment in that case, Chitty, J., said at page 80:

There is one mode of reconstruction which may perhaps be said to be within the strict sense of the term. That is when there is a winding-up order, an arrangement with creditors sanctioned by the Court under the Joint Stock Companies Arrangement Act, 1870, and a stay of the winding-up, upon which the old company, having reconstructed itself according to the arrangement, would recommence business and go on as the old company. That would certainly be reconstruction within the condition. *The company would still continue to exist.*

That, however, was not the only mode of reconstruction. He added (*ibid.* at p. 80):

The usual mode of reconstruction is when a company resolves to wind itself up, and proposes the formation of a new company, which is to consist of the old shareholders, and to take over the old undertakings, the old shareholders receiving shares in the new company. In that case the old company ceases to exist in point of law, and there is in form a sale to the members of a new corporation. But the company is in substance, and may be fairly said to be, reconstructed. It may, no doubt, be said that there is no power in such a case to compel dissentient members to come in;

but such a scheme is not put on foot until it has been ascertained practically that the old shareholders will come in.

Reconstruction Different from Sale or Amalgamation

Reconstruction, however, does not include amalgamation or a mere sale by a company of its undertaking to another existing company.

In *Hooper's* case, Chitty, J., quoted with apparent approval the statement in *Lindley on Companies* (5th edition at page 900) that "Reconstruction differs from amalgamation in that as a rule there is only one transferring company and the company to which the property in question is transferred is practically the same company with some alterations in its constitution." *Quaere*, however, whether it is essential to a scheme of reconstruction that a new company should be formed?

The judgment of Chitty, J., in *Hooper's* case is further of interest in that he considered that the expression "reorganisation" was practically synonymous with "reconstruction." The facts in the case, however, in his opinion, constituted neither a reconstruction nor a reorganisation, for it was the case of a comparatively small company joining with a large company, the transaction being comparable with that of a large railway company buying up a small railway on terms of the shareholders of the small company receiving shares in the larger company.

Reference again may be made to the dicta of Buckley, J., in *South African Supply and Cold Storage Co.* [1904] 2 Ch. at p. 286, where in referring to "reconstruction" he said:

To my mind it means this. An undertaking of some definite kind is being carried on, and the conclusion is arrived at that it is not desirable to kill that undertaking, but that it is desirable to preserve it in some form, and to do so not by selling it to an outsider who shall carry it on—that would be a mere sale—but in some altered form to continue the undertaking in such a manner as that the persons now carrying it on will substantially continue to carry it on. It involves, I think, that substantially the same business shall be carried on and substantially the same persons shall carry it on. But it does not involve that all the assets shall pass to the new company or resuscitated company, or that all the shareholders of the old company shall be shareholders in the new or resuscitated company. Substantially the business and the persons' interest must be the same. Does it make any difference that the new company or resuscitated company does or does not take over the

liabilities? I think not. I think it is none the less a reconstruction because from the assets taken over some part is excepted, provided that substantially the business is taken, and it is immaterial whether the liabilities are taken over by the new or resuscitated company or are provided for by excepting from the scheme of reconstruction a sufficient amount to answer them. It is not, therefore, vital that either the whole assets should be taken over or that the liabilities should be taken over. *You have to see whether substantially the same persons carry on the same business; and if they do, that, I conceive, is a reconstruction.*

An amalgamation involves, I think, a different idea. There you must have the rolling, somehow or other, of two concerns into one. You must weld two things together and arrive at an amalgam—a blending of two undertakings. It does not necessarily follow that the whole of the two undertakings should pass—substantially they must pass—nor need all the corporators be parties, although substantially all must be parties. The difference between reconstruction and amalgamation is that in the latter is involved the blending of two concerns one with the other, but not merely the continuance of one concern. An amalgamation may take place, it seems to me, either by the transfer of undertakings A. and B. to a new corporation, C., or by the continuance of A. and B. upon terms that the shareholders of A. shall become shareholders in B. It is not necessary that you should have a new company. You may have a continuance of one of the two companies upon the terms that the undertakings of both corporations shall substantially be merged in one corporation only.

Conclusion

Referring back to the question of amalgamation once again, it would seem that even a vast difference in size between the acquiring company and the company being acquired would not affect the position, though, if one adopts the "blending" or the "amalgam" test, it is difficult to conceive how a mammoth corporation can amalgamate with a diminutive company and so constitute an "amalgamation," even though the shareholders of the latter are to receive, as consideration for the transfer, shares in the acquiring company.

On the other hand, there appears to be an underlying factor in the decisions, and in the expressions of opinion on what is an amalgamation, that there must be a "blending" of shareholders, and that that necessitates the transfer of shares or of some other interest in the acquiring company to the shareholders of the company being acquired.

The Budget and the Finance Bill

THE ONLY CHANGES proposed (except a minor one affecting purchase tax) are in income tax rates and reliefs. We can expect the other changes in the law, which would normally have been included in the Finance Bill at this time, to form the subject matter of a second Finance Bill from the new Parliament.

Sur-tax for 1954-55 continues at the 1953-54 rates.

The changes proposed are:

(a) *Standard rate* 8s. 6d. in the £.

(b) *Reduced rates:*

First £60 charged at 2s. 3d. in the £

Next £150 charged at 4s. 9d. " " "

Next £150 charged at 6s. 9d. " " "

(c) *Personal allowance* increased to:

(i) £140 for a single person;

(ii) £240 for a married man.

(d) *Small Income Relief.* The limit on incomes attracting the two-ninths allowance even if unearned is increased from £250 to £300, with marginal relief where the income is under £400. The tax on the margin is increased from two-fifths to nine-twentieths.

(e) The tax on the margin for old age relief is reduced from five-eighths to three-fifths.

(f) The child allowance becomes £100 per child, but the limit on the child's income is unchanged at £85. The special earnings limit on apprentices, etc., is abolished, so that they are treated in the same way as other children.

(g) The limit on the income of a dependent relative is increased by £20, so that if the relative's income exceeds £105, the relief is reduced by each £1 of the excess, and no relief is available if the relative's income is £165 or more.

For P.A.Y.E. the first effects will be on the first pay day after July 6, 1955.

In terms of earned income, the starting point of liability is increased:

	From	To
Single Person	£155	£180
Married man, no children ..	270	309
" " two children ..	489	566
" " four children ..	707	823

Some 2,400,000 taxpayers will cease to have any liability—a great easing on the Revenue machinery, particularly P.A.Y.E. Relief is also brought to employers!

Some Comparisons:

(i) AGE RELIEF

Without age relief:

	1955-6	1954-5
Single man over 65, income all unearned	£700	£700
Personal allowance	140	120
	<u>£560</u>	<u>£580</u>

	1955-6	1954-5
£60 @ 2/3	£6 15 0	First £400 £102 10 0
150 @ 4/9	35 12 6	£180 @ 9/- 81 0 0
150 @ 6/9	50 12 6	
200 @ 8/6	85 0 0	
	<u>£178 0 0</u>	<u>£183 10 0</u>

With age relief:

Income	£700	£700
Margin	100	100
	<u>£600</u>	<u>£600</u>

Age relief		
2/9ths	£134	£134
Personal	140 274	120 254
	<u>326</u>	<u>346</u>

£60 @ 2/3	£6 15 0	£100 @ 2/6	£12 10 0
150 @ 4/9	35 12 6	150 @ 5/-	37 10 0
116 @ 6/9	39 3 0	96 @ 7/-	33 12 0
	<u>81 10 6</u>		<u>83 12 0</u>
£100 × 5/8	62 10 0	£100 × 3/5 =	60 0 0
	<u>144 0 6</u>		<u>143 12 0</u>

(2) SMALL INCOME RELIEF (Single Person)

Without relief:

	1955-6		1954-5
Income, all un-	£320		£320
earned			
Personal allow-	140		120
ance	<u>£180</u>		<u>£200</u>
	<u><u>£6 15 0</u></u>		<u><u>£12 10 0</u></u>
£60 @ 2/3	£6 15 0	£100 @ 2/6	£12 10 0
120 @ 4/9	28 10 0	100 @ 5/-	25 0 0
	<u>35 5 0</u>		<u>37 10 0</u>

With relief:

Income	£320		£320	
Margin	20		70	
	<u>£300</u>		<u>£250</u>	
2/9ths	£67		£56	
Pers. allce.	140	207	120	176
	<u>93</u>		<u>74</u>	
	<u><u>£6 15 0</u></u>		<u><u>£9 5 0</u></u>	
£60 @ 2/3	£6 15 0	£74 @ 2/6	£9 5 0	
£33 @ 4/9	£7 16 9			
£20 × 9/20	9 0 0	£70 × 2/5	28 0 0	
	<u>£23 11 9</u>		<u>£37 5 0</u>	

Budget Estimates, 1955-56

A.—ORDINARY REVENUE AND EXPENDITURE

ESTIMATED REVENUE				ESTIMATED EXPENDITURE			
			£000				£000
<i>Inland Revenue</i>				Interest and Management of the National Debt ..			600,000*
Income Tax			1,877,400	Sinking Funds			36,000
Sur-tax			136,000	Payments to Northern Ireland Exchequer ..			53,000
Death Duties			185,000	Other Consolidated Fund Services			10,000
Stamps			74,000				
Profits Tax and Excess Profits Tax ..			180,000	Total			699,000
Excess Profits Levy			25,000	<i>Supply Services—</i>	£000	£000	
Other Inland Revenue Duties			1,000	<i>Defence—</i>			
Total Inland Revenue			2,478,400	Army Votes	484,000		
				Navy Votes	347,000		
				Air Votes	540,400		
				Ministry of Supply (Defence) ..	147,500		
				Ministry of Defence	18,300		
						1,537,200	
				Less—American Aid receipts appropriated in aid of Defence Votes ..	43,000		
				<i>Civil—</i>		1,494,200	
<i>Customs and Excise—</i>				I. Central Government and Finance	21,344		
Customs			1,131,700	II. Commonwealth and Foreign	97,319		
Excise			796,050	III. Home Department, Law and Justice	81,741		
Total Customs and Excise			1,927,750	IV. Education and Broadcasting	372,360		
				V. Health, Housing and Local Government	638,731		
Motor Vehicle Duties			80,000	VI. Trade, Labour and Supply	78,852		
TOTAL RECEIPTS FROM TAXES			4,486,150	VII. Common Services (Works, Stationery, etc.)	65,302		
				VIII. Agriculture and Food	385,625		
				IX. Transport, Fuel, Power and Industrial Research	136,751		
				X. Pensions, National Insurance and National Assistance	437,254		
						2,315,279	
				Post Office Vote (Excess over Revenue) ..	4,345		
				<i>Tax Collection—</i>			
				Customs and Excise and Inland Revenue Votes ..	49,051		
						3,862,875	
Broadcast Receiving Licences			25,000	TOTAL EXPENDITURE			4,561,875
Receipts from Sundry Loans			24,000	SURPLUS			148,275
Miscellaneous			175,000				
TOTAL REVENUE			£4,710,150				£4,710,150

*In addition £120 million for Interest on the National Debt will be met from receipts under various Acts authorising such application.

B.—SELF-BALANCING REVENUE AND EXPENDITURE

		£000
Post Office expenditure corresponding to Revenue		257,350
Excess Profits Tax, Post-war refunds (part deducted for tax) ..		2,500
Total		£259,850

On page 178 we reproduce the table of 1954-55 Outturn and 1955-56 Budget Estimate. Mr. Butler stated in his address that since the late Sir Stafford Cripps introduced the Alternative Classification in 1948 as an experiment other and better methods of economic analysis had been developed and that he had, therefore, decided to simplify the accounting and avoid confusion by eliminating the Alternative Classification altogether from the Financial Statement.

1954-55 Outturn and 1955-56 Budget Estimate

(after 1955-56 taxation changes)

ABOVE THE LINE													
RECEIPTS					£ million		EXPENDITURE					£ million	
					1954-55 Outturn	1955-56 Estimate						1954-55 Outturn	1955-56 Estimate
Inland Revenue	..	..	..	..	2,541	2,478	Interest on Debt	..	..	..	..	570	600
Customs and Excise	..	..	..	..	1,872	1,928	Sinking Funds	..	..	..	..	36	36
Motor Duties	..	..	..	..	79	80	Northern Ireland	..	..	..	..	50	53
							Miscellaneous	..	..	..	..	9	10
TOTAL TAX REVENUE	..	..	..	..	4,492	4,486	TOTAL CONSOLIDATED FUND SERVICES	..				665	699
Post Office (Net Receipt)	..	..	..	..	5	—	Supply: Defence	..	..	..	..	1,436	1,494
Broadcast Licences	..	..	..	..	22	25	Civil	..	..	..	..	2,158	2,315
Sundry Loans	..	..	..	..	23	24	Tax Collection	..	..	..	..	46	54
Miscellaneous	..	..	..	..	196	175	TOTAL SUPPLY	..	..	..	..	3,640	3,863
TOTAL REVENUE	..	..	..	..	4,738	4,710	TOTAL EXPENDITURE	..	..	..	..	4,305	4,562
							SURPLUS	..	..	..	..	433	148
					4,738	4,710						4,738	4,710

BELOW THE LINE*									
RECEIPTS					PAYMENTS				
Interest outside Budget	104	120	Interest outside Budget	104	120				
Export Guarantees—Repayments	2	2	Export Guarantees	3	6				
Housing receipts from Votes	24	7	Post-war Credits	24	19				
Local Authorities—Repayments	25	34	Excess Profits Tax Refunds	6	3				
Post Office capital repayments from Votes ..	—	1	War Damage	30	24				
Raw Cotton Commission—Net repayments ..	25	12	Scottish Special Housing	6	8				
Coal Nationalisation—Repayments	8	9	Armed Forces—Housing	1	7				
Film Corporation—Repayments	1	—	Loans to Local Authorities	353	320				
Overseas Resources—Repayments	1	—	Loans to Northern Ireland Exchequer ..	1	—				
Town and Country Planning Acts—Repay- ments	—	5	Loans for New Towns Development ..	30	36				
Anglo-Turkish Armaments Credit—Repay- ments	1	1	Post Office capital expenditure	45	72				
Other repayments	—	1	Loans to Film Corporation	1	—				
			Loans to Independent Television Authority ..	—	1				
			Loans for Development of Inventions ..	—	1				
			Town and Country Planning Acts— Compensation payments	8	57				
			Coal Nationalisation—Working capital, etc.	75	95				
			Overseas Resources—Colonial Development	5	7				
TOTAL RECEIPTS	191	192	TOTAL PAYMENTS	692	776				
NET SUM BORROWED OR MET FROM SURPLUS	501	584							
	692	776		692	776				
TOTAL RECEIPTS	4,929	4,902	TOTAL PAYMENTS	4,997	5,338				

*Items below the line are:

1. Receipts applicable by statute to debt interest which would otherwise be paid out of revenue.
2. Receipts applicable to debt redemption.
3. Payments for which the Treasury has power to borrow.

Base Stock

[CONTRIBUTED]

What is Base Stock?

This question does not appear to have been fully answered in recent years, and in so far as it has been considered the elusive principle involved seems to have been consistently misunderstood and mis-stated. The idea is not new, as is evident from the Command Paper of 1917 entitled *Statement Respecting Proposals as to Valuation of Stock* (1917, Cmd. 8633), but it is open to doubt whether the committee of advisory accountants made the right approach and were sufficiently concerned to distinguish between capital and revenue. The lead given by them was apparently followed in 1919 by the committee reporting on the *Financial Risks attaching to the holding of Trading Stocks* (Cmd. 9224). Though in a minority report four of the ten members approved the method, their grounds are rather dubious. In neither paper is a definition of base stock attempted.

Again, the answer is not to be found in any text-book recommended by, or for, the accountancy profession. The Council of the Society of Incorporated Accountants in its recent memorandum, *The Accounting Implications of Changing Money Values* (published in ACCOUNTANCY, January, 1954, pages 7-8) did not attempt a definition of the term, but perhaps came closer to a true understanding of the nature of base stock when laying down instances where the "method" may be properly used. The Council's memorandum says:

Where base, standard or normal quantities of raw materials, partly finished and finished goods are *essential* to the *continuation* of a business, they should be regarded in the light of fixed commitments of capital . . .

This rather confuses the issue. Base stock is merely an auxiliary to the making of profits and has no place with trading stocks. Trading stocks are primarily intended and directly responsible for the creation of profits: therefore base stock can be capital only to a manufacturer (and then only if certain conditions are fulfilled), and never includes finished goods.

The purpose of this article is to determine and define base stock. The

approach will be to identify the latent first principles and then apply them to the business of cotton spinning. It should perhaps be mentioned here that this article arises directly out of the decision in the recent case of *Patrick (Inspector of Taxes) v. Broadstone Mills, Limited* (35 T.C. 44—*noted in ACCOUNTANCY*, January, 1954, page 27, and April, 1954, page 144).

Primary Consideration

For the purposes of illustration it is assumed that a new company has been formed to operate a cotton mill. The promoters of the company have three guiding principles in mind:

1. The company will only produce, and sell, cotton yarn of standard quality suitable for weaving; and
2. The company will not trade in cotton—raw cotton and cotton yarn being two entirely different commodities; and
3. In order to operate profitably, the company's mill must produce only a standard type and quality of yarn and must maintain a certain minimum continuous production.

By the adoption of the continuous production basis the company intends to create a situation that, considering the mill as a unit, as a pound of raw cotton is fed into the mill a pound of yarn will emerge elsewhere. Until that state has been achieved the mill, as a unit, will not be productive, and the company does not intend to start trading until the mill as a unit is capable of production.

To set up and equip such a mill will not only call for the provision of those familiar examples of capital expenditure, land, buildings, plant and machinery, but in addition will require that the mill be clothed with raw cotton in various stages of manufacture—a process that will take some six to eight weeks, calling for not only the provision of the raw cotton to clothe the mill but the provision of labour and other services. When the clothing has been completed the mill can be likened to a dormant, or newly erected, power station, which at the touch of a switch would come to life and begin the production of a

saleable commodity. But in the case of the newly erected power station trading commences only when the saleable commodity is produced for sale; any expenditure before that time is pure capital.

There is no difficulty for accountancy purposes in identifying the expenditure in clothing the mill as capital, for up to that time nothing has been produced that is capable of being sold by way of trade, and therefore there has been no trading that could give rise to a revenue profit or loss. Is the position different for taxation purposes?

Initial Expenditure—Capital or Revenue?

In answering this question it is pertinent to consider the case law relating to "commencement of business." Harrison's *Digest and Index of Tax Cases* refers to only two cases on this point, both being decided under the Excess Profits Duty legislation where the ordinary income tax principles were applied. In the first, *Cannap Coal Company Limited v. C.I.R.* [1919] 12 T.C. 31, trading, i.e. the winning and subsequent sale of coal, was clearly established in 1909 when development was taking place and therefore the company's claim that trading did not commence until 1912, when development ceased, was rejected.

In the other case, *Birmingham and District Cattle By-Products Limited v. C.I.R.* [1919] 12 T.C. 92, a group of butchers formed a company which was registered in June, 1913, with the object of carrying on the trade or business of sausage skin manufacturers. In the following August, the company "engaged and thereafter employed a man as foreman of the works, who prior to October, 1913, supervised the manufacture of utensils" (paragraph 5 of the stated Case). The company contended that its trade commenced in June, 1913. In his judgment Mr. Justice Rowlatt said:

Then they entered into a contract for the erection of works, which works were duly erected in July, 1913 . . . but they had not yet begun to conduct their trade or business. Then they purchased machinery and plant for carrying on the business. That was getting ready. Then they entered into agreements for the purchase of products. Those are the agreements which formed the substratum of the company, but no materials came in nor were any sausage skins made from the 20th June. They waited, and I suppose in October, the date they refer to in their minutes, having looked around, and having got their machinery and plant, and having also employed their foreman, and having

got their works and generally got everything ready, then they began to take the raw materials and to turn out their product.

This case is another instance of the production of a saleable commodity commencing "at the touch of a switch" and of all the expenses incurred prior to the commencement of production being capital. Thus, to return to the cotton mill, the value of the raw cotton clothing the mill and the operating expenses connected therewith are properly regarded, for both accountancy and taxation purposes, as capital expenditure. For accountancy purposes this expenditure appears in the balance sheet. For taxation purposes it is disregarded in arriving at assessable profits. Hereafter, this capital expenditure will be called the "base stock value" and the cotton clothing the mill the "base stock."

Base Stock Replacement—Capital or Revenue?

It is submitted that it has been clearly shown that in the initial stages base stock is capital: it is now necessary to determine whether or not base stock retains its capital nature during production. A test has been provided. *Swinfen Eady, L.J.*, in delivering judgment in the case of *Ammonia Soda Company Limited v. Chamberlain* [1918] 1 Ch. 266, described a fixed asset as being:

That which a company retained and made use of to produce income or gain profits.

The value of a fixed asset is represented by fixed capital, but there is another form of capital, circulating capital. In the *Ammonia Soda* case, *Swinfen Eady, L.J.*, described circulating capital as:

used by being temporarily parted with and circulated in business, in the form of money, goods or other assets, and which, or the proceeds of which, are intended to return with an increment, and intended to be used again and again, and always to return with some accretion.

In the mill the function of the base stock during production is to enable the production of yarn to be maintained, on the basis that the mill operates as a complete unit and as each pound of raw material is fed into the mill a pound of yarn emerges elsewhere. If the base stock was removed, production would immediately cease, in the same way as a sewing machine would cease to operate if the needle or the sewing cotton were removed.

Although, in the present instance, the

quality and quantity of the base stock does not change, it does undergo a constant process of renewal and replacement as the individual parcels of raw cotton proceed through the various processes. Here it may be conceded that it might be possible to identify a particular parcel of cotton as having reached a particular stage in the manufacturing process, but nothing turns on this point. The product sold by the company is yarn, and it is this yarn which the company parts with and circulates in the form of goods and expects to return in the form of money representing:

- (a) the cost of the raw cotton attributable to the yarn sold; and
- (b) the cost of turning such raw cotton into yarn; and
- (c) an addition or accretion representing profit.

The base stock, on the other hand, never leaves the mill and therefore does not circulate in the manner visualised by *Swinfen Eady, L.J.* To the mill, considered as a unit, the base stock is of paramount importance in the same way as the sewing cotton is of paramount importance to the sewing machine. Neither the mill nor the machine can function properly if the base stock or the sewing cotton be removed: even though both the mill and the machine can still be operated, no production would result, as one of the essential factors is missing and must be replaced before production can recommence. It is here submitted that the test laid down by *Swinfen Eady, L.J.*, is satisfied and that base stock retains the nature of capital, being a form of fixed asset, during production.

Replacement—Further Consideration

A part of the argument in the *Broadstone* case seems to have been that the base stock formed part of the machinery in the mill and therefore Rule 7 of Schedule D (now Section 296, Income Tax Act, 1952) should apply and the cost of replacing the base stock was a proper charge against the company's profits. This argument was rejected out-of-hand—rightly so, for cotton is not machinery. However, rather more consideration should have been paid to the underlying principle rather than to the price of cotton from time to time and the various methods of valuing trading stocks. The underlying principle is well recognised and can be seen in the allowance of deductions for renewals of office furniture and protective clothing in arriving at assessable profits for taxation purposes. In the same way that the

variations in price of sewing machine needles purchased as replacements and renewals do not affect the value of the sewing machine, the changes in the price of raw cotton fed into the mill do not affect the base stock value where the base stock is only undergoing a process of renewal and replacement. Putting it another way, in the case of *Abbott and Albion Greyhounds (Salford) Limited* [1945] 26 T.C. 396, *Wrothesley, J.*, referred to the test of a fixed asset propounded by *Swinfen Eady, L.J.*, mentioned earlier, and went on to say:

The rise and fall in the value of [a fixed asset] owned and maintained by the company is no criterion of its profits or losses during the year of assessment.

A Definition

It is convenient here to sum up the foregoing and attempt a definition. It has been shown that initially base stock is properly regarded as capital, has a special and essential function to fulfil, does not lose its character as a fixed asset during production, and is not affected by variations in its value. The following definition is offered:

A base stock is a capital asset, being an essential auxiliary of a manufacturing business continually renewed or replaced in the production of a marketable and profit earning commodity.

Ascertaining Profit and Loss

The judgments in the *Broadstone* case proceeded on the basis that the base stock formed part of the trading stock and, because the base stock was not valued in arriving at the assessable profits, "the full amount of the profits for the relevant year" was not disclosed. With all due respect to those judgments, sufficient has been said to suggest that this basis was incorrectly adopted, but there remains to be answered the question, "How are profits and losses ascertained?"

To return again to the mill which has been used as an example in this article, it will be recalled that the mill functions as a unit, so that as a pound of raw cotton is fed into the mill a pound of cotton yarn emerges elsewhere: it is this yarn that is sold and so provides revenue. Taking the mill as a unit, it is obvious that there is a direct relationship between the raw cotton entering the mill and the yarn that simultaneously emerges. The relationship is so marked as to justify the proposition that the cost of the cotton in the yarn is the same as the price of the raw cotton fed into the



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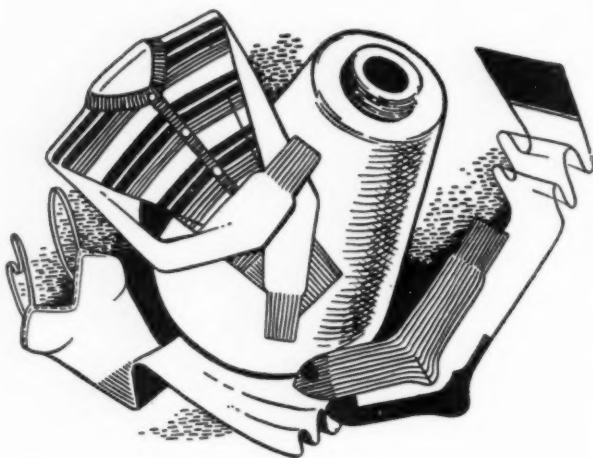


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mill as the yarn emerges. The cost of the yarn produced can therefore be expressed as being the aggregate of:

- (a) the cost of the raw cotton attributed to the yarn: and
- (b) the cost of labour and other direct expenses of operating the mill: and
- (c) some reasonable proportion of the overhead expenses, e.g., rent, management and administrative expenses, but not selling and distribution expenses.

The gross profit on trading will be the difference between the aggregate of the prices obtained for the yarn sold and (suitable adjustments being made for yarn produced but not sold) the production costs attributable to such yarn.

Transactions on the Base Stock Account

The base stock value will appear in the balance sheet and in the normal way no variation in this figure will take place, but any increase or contraction in the mill, requiring the maintenance of a larger or smaller base stock, would be reflected. Transactions on this account, for taxation purposes, have a capital element and therefore are properly disregarded in arriving at assessable profits.

Returning to the mill previously under consideration, it will be recalled that only a certain type and quality of yarn was being produced. Suppose that owing to changing conditions it is decided to manufacture a different and cheaper quality of yarn. As the new quality of raw cotton is fed into the mill a new base stock will begin to be created. It is clear on the ordinary principles of taxation that the realisation of an investment does not give rise to taxable income: therefore the realisation of the old base stock, which is merely an investment, cannot give rise to a taxable profit or loss, though it may well be that any profit arising on the realisation is wholly absorbed in the provision of the new base stock. However, this general rule might well be upset if the mill adopted the practice of producing small batches of various types of yarn in rotation on the same machines. In such an instance it is submitted that the base stock principle so far illustrated cannot apply, nor would the "base stock" be fixed capital able to fulfil the tests propounded by Swinfen Eady, L.J. However, this particular question need not be fully discussed here. In general the question is one of fact and degree and therefore a matter to be determined by the General or Special Commissioners.

Limits of Application

In addition to the observations in the preceding paragraph, the limits within which a true base stock can be employed appear to be capable of fairly strict definition. For example, the principle of base stock would appear to justify the maintenance of what was termed in the *Broadstone* case "spare process stock," maintained on machines to be brought into operation in case of a mechanical breakdown. On the other hand, it is rather more difficult to make a case for "spare process stock" merely held in reserve against a shortage of raw material—as such the "spare process stock" is, in the words of Lord Justice Singleton: "Stock. [It is] so called. [It is] bought as stock." But again we have a question of fact to be determined by the Commissioners.

Again it is clear that base stock must be relatively constant both in quantity and in quality and that more than one base stock may exist in a given manufacture. For example, a process involving the manufacture of pure metal or special alloy, later worked into various shapes, may well fulfil all the requirements of a base stock until the metal or metals reach the fashioning and making-up stages, where an entirely different series of base stocks may come into existence pending the completion of the finished articles. Within the terms of the definition submitted earlier there are countless variations, but each base stock, whether of cotton, coal, gas, precious metals, rubber, iron and steel, etc., must essentially comply with that definition, failing which nothing but a trading stock is left.

Conclusion

Nothing in the base stock principle affects the normal rules of trading stock valuation. In the case of the cotton mill previously discussed, trading stocks will fall into two categories: (a) raw cotton, and (b) cotton yarn.

Since the cotton forming the base stock represents a fixed asset, the value of which is properly reflected in the balance sheet, there is no need to call for a valuation of this item, and the directors may (though no doubt taking care not to incur the displeasure of their company's auditors) write-up or write-down the value of the base stock without in any way affecting the taxation liability.

On the other hand, the trading stocks will be valued in the ordinary way on the principles laid down by the decision in

the case of *C.I.R. v. Cock Russell & Company Limited* [1949] 29 T.C. 387.

The principal judgment in the *Broadstone* case was that of Singleton, L.J. Exhaustive as the judgment appears to be, it is possible that undue attention was given to accidental features of the case and insufficient importance paid to the accountancy evidence which gave rise to the inclusion of the base stock value among the fixed assets in the balance sheet. Consideration of this point might have resulted in the case being remitted to the Special Commissioners in order to find whether in the particular circumstances of the *Broadstone* Company the "base stock" there constituted a trading stock. Ultimately, the case might well have been decided in favour of the Crown. In the absence of the necessary evidence in the Stated Case it would not be wise to hazard an opinion, but on the legal aspect, it may perhaps be said here that all the authorities cited in the Court of Appeal could equally well have been cited in favour of the taxpayer.

A more important aspect of the judgments in the Court of Appeal concerns the remarks directed against "sound principles of commercial accountancy," and in some minds there has been some speculation whether there has been an unintentional change in the law in this respect. It has been suggested that during the course of the case an undue emphasis was placed on certain facts to the detriment of others of greater importance, and it appears that, in the eyes of the Court, base stock appeared to be nothing less than an artificial device forming part of an audacious and shrewd attempt at tax avoidance which had been unusually successful over a period of years. When looked at in this light the true meaning of the remarks in question falls into place.

The description "a sound principle of commercial accountancy" implies that the principle in question is something that is universally accepted, not merely by the advanced accountancy theorists and pundits but also by the student who has just mastered and understands the principles of double-entry book-keeping. The application of the theory of base stock to pure trading stocks is clearly wrong, but to give it the more modern names, average or normal stock, indicates that the application of the theory does not suit the facts. When the theories of L.I.F.O. and F.I.F.O. are applied without regard to the facts there is again distortion. Taxation principles apart, it is unsound accounting, simply because the same principle cannot be and is not applied to every aspect of accounting.

Taxation Notes

Some Points on Profits Tax

—I. Control

It must be borne in mind that control for profits tax is only important if the directors control the company. In sur-tax, it is control by five or fewer members that matters. It is therefore possible, though unusual, for a company to be controlled for one tax but not for the other.

—II. Directors' Remuneration

While comparing members and directors, it is also worth while emphasising that for profits tax, in the case of a director-controlled company, any disallowed remuneration of a director is a gross relevant distribution only if the director is a member. As usual in such a position, the benefit of this must be given in the taxpayer's favour. Accordingly, if there are five directors, of whom four are members receiving directors' remuneration of £8,000, and one is not a member and receives £1,600, and the maximum remuneration allowable on the facts and figures totals £7,000, only £1,000 will be a gross relevant distribution, not the £2,600 disallowed in computing the profits.

—III. Liquidation

If a company goes into liquidation, any sum paid by the liquidator to the members, in excess of the paid up share capital and share premiums received for full consideration, is treated as a gross relevant distribution in the last chargeable accounting period of the trade or business. For this purpose there is excluded from share capital any bonus shares issued since April 6, 1949 (unless already caught in the meantime by reason of a repayment of capital). There will be included in the gross relevant distribution any sum paid by the liquidator to repay loans issued as a bonus since the same date.

What is not always realised is that a company will not pay so much profits tax by distributing the profits as surplus in a liquidation as it would if it paid net dividends of the same amount. That is because the amounts are grossed up if paid as dividends, but not so if paid as surplus, since all amounts so paid away by a liquidator are capital.

ILLUSTRATION

A company had a short but merry life making profits (for both income tax and profits tax but before charging either tax) as follows:

	£
From Jan 1, 1950 to Dec. 31, 1950	14,000
Year to Dec. 31, 1951	16,000
Year to Dec. 31, 1952	15,000
Year to Dec. 31, 1953	17,000
Nine months to Sept. 30, 1954	6,300
	<u>£68,300</u>

There were no capital allowances. The company had no franked investment income. The gross relevant distributions (all dividends paid within three months of year end) were:

	£
1950	8,000 (gross)
1951	10,000 "
1952	10,000 "
1953	9,000 "

The surplus available proved to equal the undistributed profits.

Profits tax payable:

C.A.P.	Profits £	G.R.D. & N.R.D. £	Rate %	P.T. on profits £	P.T. paid £
1/1/50-31/12/50	14,000	8,000	30	4,200	3,000
1/1/51-31/12/51	16,000	10,000	50	8,000	5,600
1/1/52-31/12/52	15,000	10,000	22½	3,375	2,375
1/1/53-31/12/53	17,000	9,000	22½	3,825	2,225
1/1/54-30/9/54		(see below)			
					<u>£13,200</u>

Income tax assessments (ignoring fractions of months and ignoring any claims in second and third years for assessment on actual profits):

	£	s.	d.
1949/50 3/12 × £(14,000—£3,000) =	£2,750	at 9/- =	1,237 10 0
1950/51 £14,000—£3,000 = £11,000	at 9/- =	4,950 0 0	
1951/52 £14,000—£3,000 = £11,000	at 9/6 =	5,225 0 0	
1952/53 £16,000—£5,600 = £10,400	at 9/6 =	4,940 0 0	
1953/54 £15,000	at 9/- =	6,750 0 0	
1954/55 6/9 × £6,300	£4,200	at 9/- =	1,890 0 0
			<u>24,992 10 0</u>

Before paying profits tax for the last chargeable accounting period, the accumulated profits were as follows:

Total profits	£68,300
Income tax	£24,993
Net Dividends	
for 1950	£4,400
1951	5,250
1952	5,250
1953	4,950
	<u>£19,850</u>
Profits tax to 31/12/53	£13,200
	<u>£58,043</u>
	<u>£10,257</u>

Profits tax C.A.P. 1/1/54-30/9/54, if there were no relevant distributions beyond the profits of the year:

Profits	£6,300
Abatement	£9,000—£6,300
	<u>5</u>
	<u>£5,760</u>
	at 22½% = £1,296

(a) If the balance were paid away as a dividend:

Let D = gross dividend and 11/20D = net dividend
then 11/20 D = £10,257—£1,296
$-\left(\frac{D-£6,300}{5}\right)$
11 D = £205,140—£25,920—4D + £25,200
15 D = £204,420
D = £13,628.

Amount available as above £10,257

Profits tax £5,760 at 22½% = £1,296

Distribution charge
(£13,628—£6,300 at) 20% = 1,466

Net dividend £7,495

(Continued on page 183.)

The members who are liable to sur-tax will pay on this share of the gross dividend.

(b) If balance paid away as surplus—
Let S=surplus.

$$S = £10,257 - £1,296 - S - £6,300$$

$$5S = £44,805 - S + £6,300$$

$$6S = £51,105$$

$$S = £8,517$$

Amount available as above £10,257

Profits tax £5,760 at 22½% = £1,296

D.C. (£8,517 - £6,300)

at 20% = 443

1,739

Surplus £8,518

(Differences through taking nearest £.)

There will be no liability to sur-tax on the part of the members.

Had there not been enough non-distribution relief since January 1, 1952, the complications which would have arisen will be apparent.

—IV. Sur-tax consequences

In the illustration first given, the provisions of Sections 245 *et seq.* Income Tax Act, 1952, were ignored. Had the company been one controlled by not more than five members, and the alternative (b) been selected, a direction for sur-tax purposes would have been made for 1954/55 in respect of the profits of £6,300. A direction for the previous year might also have been made, though this is hardly likely as the dividend paid must have been adequate.

Such directions would have the result of discharging the liability to profits tax.

Attention to details

Taxation practice becomes more and more exacting. Each Finance Act brings further complications. Consider the computations following:

For 1954/55, the incomes of H. and his wife W. were:

	H.	W.
Earned	£1,800	£540
Unearned	400	200
	<u>£2,200</u>	<u>£740</u>

They have one child for whom they claim relief, and pay £250 a year in life assurance premiums on their

respective lives. Ignoring separate assessment claims, the position is as follows:

	H.	W.
Earned Income	£1,800	£540
E.I.R. (max.)	£400	£50
P.A.	210	120
Child	85	
L.A.R.	100	170
	<u>£1,005</u>	<u>£370</u>

£100 at 2/6	£12 10 0
£150 at 5/-	37 10 0
£150 at 7/-	52 10 0
£605 at 9/-	272 5 0

Unearned £400 at 9/-	£374 15 0
	180 0 0

£554 15 0

£100 at 2/6	£12 10 0
£150 at 5/-	37 10 0
£120 at 7/-	42 0 0

Unearned £200 at 9/-	£92 0 0
	90 0 0

£182 0 0

In the year to November 30, 1954, H. made a loss in his business totalling £2,350. He asks advice regarding Section 341 relief.

Should H. claim against total income, the loss will extinguish his income of £2,200 and £150 of his wife's earned income.

This will make the position to be:

Earned	£390	Unearned £200
E.I.R.	£87	
P.A.	10	£200
A.P.A.	120	
Child	85	
L.A.R. (pre-		
miums limited		
to 1/6th of £590		
= £99)	40	
	<u>342</u>	
	£48	

Tax at 2/6 = 6

Tax repayable £554 15s. Od. + £182 - £6 =
£730 15s. Od.

If, however, H. claims to ignore his wife's income for Section 341, the wife's income will be charged:

Earned	£540	Unearned £200
E.I.R.	£120	
P.A.	10	£200
A.P.A.	120	
Child	85	
L.A.R. (on		
1/6th of £740 =		
£124)	50	
	<u>385</u>	
	£155	

£100 at 2/6	£12 10 0
£55 at 5/-	13 15 0

£26 5 0

Repay £710 10 0

But H. has £150 loss to carry forward for relief under Section 341 in 1955/56, or indeed under Section 342 later. If the income remains constant save that H. has no earned income in 1955/56, it will obviously 'pay' him to adopt the second method, as the £150 will go against the £400 unearned income if he claims under Section 341 in 1955/56.

Had the loss been £1,900, the repayment in 1954/55 would have been computed thus:

	H.	W.
Earned		£540
Unearned	£300	£200
E.I.R.		£120
P.A.	£210	
A.P.A.		120
Child	85	
L.A.R.*	20	36
	<u>315</u>	<u>276</u>
	£300	15
		<u>£171</u>

£100 at 2/6	£12 10 0
£150 at 5/-	37 10 0
£14 at 7/-	4 18 0

£54 18 0

£100 at 2/6	£12 10 0
£71 at 5/-	17 15 0

£30 5 0

Tax repayable £736 15s. Od. - £85 3s. Od. =
£651 12s. Od.

*To arrive at the reduced rate relief applicable to the wife alone, it is necessary to deduct from her earned income those allowances which can be given only because of that earned income. Here part of the life assurance relief depends on one-sixth of it. The balance of the husband's relief is available against her unearned income.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Settlement for benefit of employees past and present of a company and their relatives and dependants—Capital remaining at end of period of settlement to be applied to charitable purposes—Whether trusts void for uncertainty—Income Tax Act, 1952, Section 224.

In *re Hooper's 1949 Settlement* (Ch. January 11, 1955, T.R.1) arose out of a settlement made upon May 4, 1949, by Lewis John Eric Hooper whereby as stated in a recital of the deed,

The settlor . . . is desirous of making provision for persons (excluding the settlor) who have been or are now or may hereafter be in the employment of or connected with Doulton & Co. Ltd., and the relatives and dependants of such persons and provision for other benevolent purposes

whilst by paragraph 15 of the deed:

In this deed the expression "Doulton's employees" shall mean any person or persons (other than the settlor) who has been or is or hereafter shall be an official clerk accountant salesman workman or other person in the employment of Doulton & Co. Ltd.

Seeing that the company was incorporated as far back as 1898 to take over the famous pottery business and at the present time was said to have 3,250 employees, it will be obvious that the number of potential beneficiaries was very great. Repayment claims had been made by beneficiaries in respect of payments out of the settlement taxed income, but these had been rejected by the Revenue upon the ground that the trusts of the settlement were void for uncertainty. On the matter coming before Danckwerts, J., he held that both as to capital and income they were valid.

The issues in the case were similar to those in *Re Gestetner's Settlement* (1953, Ch. 672), noted in our issue of September, 1953, at page 298, a case in which Harman, J., had found in favour of the trustees but which had not been taken to the Court of Appeal, and in *C.I.R. v. Broadway Cottages Trust*, *C.I.R. v. Sunny Lands Trust* (1954, 5 A.T.C. 233; 3 All E.R. 120, noted in ACCOUNTANCY in July and November, 1954, pages 271 and 430), a double case where Wynn-

Parry, J., had found the trusts for capital and for income were both invalid for uncertainty and his judgment had been upheld in the Court of Appeal. In the latter case Jenkins, L.J., giving the decision of the Court, said in the course of his judgment:

there is a distinction between a trust for distribution amongst all or any one or more exclusively of the other or others of an unascertainable class, with no other disposition (which is this case) and a power to distribute amongst all or any one or more exclusively of the others or other of an unascertainable class with a trust in default of appointment for an ascertainable class,

and if it was possible to decide with certainty whether a person was or was not a member of the unascertainable class, Jenkins, L.J., said that there was a valid disposition, as had been held in the *Gestetner* case and two others mentioned by him.

The settlement period in the case now being considered was to commence from the date of the deed and to end twenty years after the date of death of the survivor of the issue of His Late Majesty George V; and by clause 3 (xii) any part of the capital of the trust fund in the hands of the trustees at the expiration of the trust period was to be distributed between charities in England and Wales, the trustees to have absolute and uncontrolled discretion as to both the beneficiaries and the shares and proportions in which the distribution by them should be made. This final provision as to capital was held by Danckwerts, J., to be perfectly valid "whatever may be thought of the other provisions of the deed." Clause 3, which related to capital, was as follows:

During the trust period . . . the trustees shall hold the trust fund upon the following trusts and with and subject to the following powers: (a) [payment of death duties on death of settlor], (b) the trustees may from time to time apply give or lend the whole or any part or parts of any capital money representing the proceeds of sale or (until sale) the said stock or any part or all thereof in such manner as the trustees in their absolute discretion may think fit for the following purposes or any one or more of them that is to say: (i) for the purpose of furthering any one or some

or all of the objects set out in sub-clauses (a) to (e) inclusive of clause 5 hereof.

Clause 5, dealing with income, was in the following terms:

The trustees shall during the trust period pay and apply any income arising from the trust fund as they shall in their absolute discretion think fit for the purposes following or any one or more of them that is to say . . .

and then followed the list of purposes which may be summarised as (a) pensions, (b) sickness and incapacity, (c) gifts etc. to the aged, (d) recreational facilities, (e) "in any other manner not included in the foregoing classes" as the trustees may in their absolute discretion consider desirable. All of these purposes were to be for the benefit of "Doulton's employees" as defined in paragraph 15 of the deed (*vide supra*).

Continuing with clause 3 (b), sub-clause (ii) to (xi) enabled the trust fund to be applied to a very mixed lot of purposes and, to quote from the judgment of Danckwerts, J.,

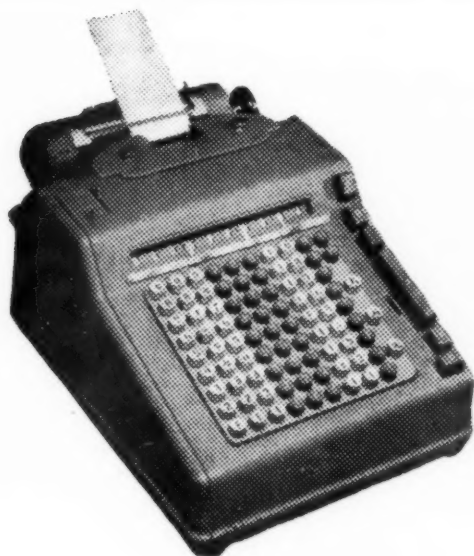
As regards the other provisions of clause 3 except that about duties . . . they all deal with the interim applications of capital during the trust period, and the suggestion which might be made is that those provisions fail for uncertainty, as they enable applications to be made by the trustees not only for charitable purposes but for other purposes as well, which are plainly not charitable—take (xi) for example, " . . . to enable such person or persons to assume or retain his office as a director of Doulton & Co. Ltd." which cannot be a charitable provision at all.

The question of capital really depended, it seemed to him, upon whether the provisions in clause 3 from (b) onwards were "powers or trusts, powers coupled with the trust." He held that they were plainly powers and drew attention to the "may" of clause 3 as compared with the "shall" of clause 5, which plainly imposed trusts in respect of income. The provisions in clause 3 (b) from (i) to (xi) were, he said, powers exercisable by the trustees to distribute funds among a class of beneficiaries including beneficiaries or beneficial objects not necessarily charitable and not easily ascertainable as a whole at any given moment, though whether a person was qualified and benefited under the class was a question of no great difficulty. He held that the matter was covered by the decision of Harman, J., in the *Gestetner* case and that clause 3 was wholly valid and there was no question of invalidity as regards any applications by the trustees under what was in effect a power or powers or appointment.

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As regards clause 5 of the deed, which imposed trusts of income, the question, the judge said, was very different. The clause provided in imperative terms that the trustees should during the trust period

pay and apply any income arising from the trust fund as they shall in their absolute discretion think fit for the purposes following or any one or more of them that is to say . . .

He said that he did not know that it was necessary to go through all the provisions contained in clause 5

because they are all, in one way or another, . . . a means of providing benefits for Doulton's employees, or their wives, widows, children or dependants,

the term "Doulton's employees" being defined as set out above. For the Revenue it was contended that the trusts of clause 5 were too uncertain to be validly enforceable trusts. Danckwerts, J., referring to the *Broadway Cottages Trust* case, which had been cited to him, said that the standard of ascertainability seemed to him to be put more clearly in *In re Ogden* (1933, Ch. 672), where a testator had bequeathed part of his residuary estate to Sir Herbert Samuel:

to be by him distributed amongst such political federations or bodies in the United Kingdom having as their objects or one of their objects the promotion of Liberal principles in politics as he shall in his absolute discretion select and in such shares and proportions as he shall in the like discretion think fit.

Lord Tomlin, sitting as an additional judge of the Chancery Division had held that the gift was perfectly good. In the course of his judgment he had said:

. . . all that I have to consider is whether there is such uncertainty in the field of selection that it is impossible for the selector to determine from which institutions he is to select. If so, the bequest is bad on the ground of uncertainty. The question is one of degree in each case, whether having regard to the language of the will and the circumstances of the case there is such uncertainty as to justify the Court in coming to the conclusion that the gift is bad,

and Lord Tomlin went on to say that he had the evidence of Sir Herbert Samuel:

who states that in fact he can ascertain by enquiry all the bodies that can come within that description, and I take the view that upon that evidence and the language of the will and having regard to the principles laid down from time to time, there is certainty here in the field of selection.

It had been pointed out for the Crown that the *Ogden* case had been decided

upon the footing that Sir Herbert Samuel was able to identify all the possible objects of the trust; but, said Danckwerts, J., it did not follow that because other cases might not be so strong they failed for uncertainty—it was, as Lord Tomlin had said, a question of degree in each case. He then reviewed the evidence which had been given (1) by the secretary of Doulton's Ltd. and (2) upon behalf of the trustees, and declared:

The first question is whether it would be possible to ascertain all the possible objects of the trusts in question. It does not seem to me to be impossible to ascertain that as a matter of enquiry by the trustees and by such advertisements as they might think fit to put up in the company's works or in the appropriate newspapers. It seems to me that they could ascertain in that way all the names of any employees who have been employed at any time by the company so far as is necessary to supplement the records which they already have and which seem to me to be exceedingly complete. (The italics are ours.)

To the Crown's objection that this left out of account the "dependants"—a very uncertain word—his lordship said that whilst no doubt it increased or widened the class which the trustees had to consider, it did not seem to him to be more than a question of fact once the names of the employees and their dependants had been ascertained. This seemed to him to be perfectly possible. He referred to the case of *In re Taylor* (1940, Ch. 481), where Farwell, J., had held that difficulty of ascertainment did not necessarily render the matter uncertain and declared:

It may be that some further enquiry might, in certain circumstances, be necessary to ascertain what dependants there were of employees of Doulton & Co. Ltd. but it seems to me that the class as a whole is by no means incapable of ascertainment, and, that being so, it appears to me that the matter is not too uncertain.

After considering the question of what the trustees ought to do with the income of a particular year, he concluded his judgment by saying that whilst the trust of income was in no way limited to charitable trusts, it was not a trust "which failed for uncertainty in the circumstances of this case."

It would seem that the degree of uncertainty on the limits of the class within which the trustees' powers of income distribution had to be exercised was considerably greater than that in the *Gestetner* case; and, the question being one of degree, the development would

appear to be of importance. The result emphasises the fact that there is an essential difference between "difficulty" and "impossibility" of ascertainment.

Income Tax

Settlement for benefit of employees of a company—Whether trusts void for uncertainty—Income Tax Act, 1952, Section 224.

In re Hooper's 1934 Settlement (Ch. January 11, 1955, T.R. 7) was another case where the fund had been settled by the same settlor for the benefit of "Doulton's employees"; and again it was a case where the Revenue had refused claims for repayment by beneficiaries of the trust on the ground that the trusts were void for uncertainty. The actual terms of the settlement were not set out at length in the judgment of Danckwerts, J.; but in deciding that the trusts were valid he said:

It seems to me that the decision which I have come to in the previous case really covers the result of this case, and in some respects it is a rather more simple decision, because the class is more limited, and the purposes are very much more restricted than in the preceding case.

Accordingly, I come to the conclusion that, while there is no question of charity in the present case, both trusts of income and capital are of such a character that they do not fail for uncertainty and are valid.

High rates of capital and income taxes are no doubt a major influence in the creation of benevolent settlements, and it would be interesting to have statistics showing their growth year by year over, say, the last forty years.

Profits Tax

Principal company and subsidiary company—Grouping notice—Direction by Special Commissioners whereby income of principal company apportioned to members for sur-tax—Whether notwithstanding grouping notice profits of subsidiary company assessable to profits tax—Finance Act 1920, Section 52(2)—Finance Act 1922, Section 21—Finance Act, 1937, Sections 19, 20, 21, 22—Finance Act 1947, Section 31.

Healex Investments Ltd. v. C.I.R. (C.A. February 18, 1955, T.R. 49) was noted at length in our issue of January last at page 28. The Healex company was a wholly-owned subsidiary of Sidcup Investments Ltd. In 1948 the latter company served a grouping notice under Section 22 of the Finance Act, 1937, whereby the profits and losses of the

subsidiary were for profits tax purposes to be treated as profits and losses of the principal company. In 1952, four years afterwards, the Special Commissioners made a direction under Section 21 of the Finance Act, 1922, whereby the actual income of Sidcup Investments Ltd was to be treated as income of its members and apportioned amongst them. As the result of this direction, Section 31(2) of the Finance Act, 1947, came into operation, with the result that the profits tax ceased to apply to the profits of the principal company for years in respect of which Section 21 of the Finance Act, 1922, had been applied. For the Crown it was argued that by necessary implications the profits of the subsidiary company were to be treated as profits of the principal by virtue of the notice given under Section 22 only if and so long as the income of the principal company was liable to the tax. The Special Commissioners had accepted this argument; but Upjohn, J., had reversed their decision, and a unanimous Court of Appeal agreed with him, Jenkins, L.J., giving the only full judgment. He said that he entirely concurred in the judgment of Upjohn, J., and with the reasoning on which it was based. Leave to appeal to the House of Lords was refused. In the circumstances any reader wishing to understand the issue more completely should refer to the January note, where it is fully explained.

Stamp Duty

Conveyance on sale—Exemption for charities—Trust for promotion of religious, social and physical well-being—Trust for moral, social and physical well-being—Whether trusts within exemption—43 Elizabeth I, Ch. 4—Recreation Grounds Act, 1859—Mortmain and Charitable Uses Act, 1888, Section 13—Open Spaces Act, 1906, Sections 3, 5(1)—Education Act, 1921, Section 86—Education Act, 1944, Sections 41(b), 53.

Baddeley (Newtown Trustees) v. C.I.R. (House of Lords, February 17, 1955, T.R. 21) was noted in our issues of March, 1953, at page 93 and September, 1953, at page 300. The issues in the case arose out of two conveyances dated August 21, 1951, whereby a Mr. Baddeley transferred to a trust pieces of land, in one case occupied by a mission church and other buildings, and in the other laid out as a playing field. The objects of the first trust were, in brief:

... the promotion of the religious, social and physical well-being of persons resident

in the County Boroughs of West Ham and Leyton ... who ... are in the opinion of such leaders (of the Mission) members or likely to become members of the Methodist Church and of insufficient means otherwise to enjoy the advantages provided ...

The objects of the second trust were similar, except that for "religious" there was substituted "moral." For the statutory exemption to apply the trusts had to fall within one or other of the categories set out in Lord Macnaghten's speech in *Pemsel's* case (1891, A.C. 531; 3 T.C. 53), i.e. trusts for (1) the relief of poverty, (2) the advancement of education, (3) the advancement of religion, and (4) other purposes beneficial to the community not falling under any of the preceding heads. All three Courts were agreed that the trusts did not come within the poverty exemption. In the House of Lords, Viscount Simonds said:

I do not question that there may be a good charity for the relief of persons who are not in grinding need or utter destitution: see *In re De Carteret* (1933, Ch. 103). But I agree with Mr. Justice Harman ... that relief connotes need of some sort, either need for a home or for the means to provide for some necessity or quasi-necessity, and not merely an amusement, however healthy.

In the upshot, the real issue in the case was whether both trusts fell within the fourth category. A decision in favour of the Revenue by Harman, J., had been unanimously reversed in the Court of Appeal but was now restored, Lord Reid dissenting, by a majority of four to one in the House of Lords. So, in all, there were in the three Courts four judges in favour of granting exemption and five for refusal, an indication of the niceties of the problem.

In the Chancery Division, Harman, J., had declared:

If I were free to do so, I should hold that recreation is not a charitable object.

He had then gone on to refer to cases which precluded him from taking such a definite stand but, in the end, found himself able to follow the decision in favour of the Revenue in the Northern Ireland case of *Londonderry Presbyterian Church House Trustees v. C.I.R.* (1946, N.I. 178; 27 T.C. 431). As pointed out in the preceding note, his *dicta* on the subject of recreation in its charitable aspects had the strange result that in the Court of Appeal the Commissioners of Inland Revenue were represented by two counsel whilst the Attorney-General and a junior also appeared as *amicus curiae*, the reason being that whilst it was apparently desired that the current

of judicial opinion in the case should flow in favour of the Revenue, it was much more important from a wider point of view that it should not overflow. Lord Reid in the course of his speech said:

We were referred by the Attorney-General to a number of Acts of Parliament extending over nearly a century in which Parliament has regarded the provision of facilities for recreation for adults as a charitable purpose. The first was the Recreation Grounds Act, 1859 ...

and, since it was desired to prevent this position from being undermined, it would seem from the judgment of Lord Simonds that the Attorney-General had urged that the first trust could be sustained on the ground that, regarded as a whole, it was an educational charity. This was a new contention, not mentioned in the other speeches, but rejected by Lord Simonds on the ground that if the trust objects were examined one by one it would be impossible to regard many of them as "even in the loosest sense educational." It may be hazarded that on no other occasion has such a strange situation arisen, Crown counsel apparently arguing for liability to tax and other Crown counsel for exemption from it.

It is quite impossible here to summarise adequately the close reasoning of the speeches in the House of Lords and of the judgments in the other Courts. The majority of the Lords took the view that the case was governed by the decision of their House in *Williams' Trustees v. C.I.R.* (1947, A.C. 447; 26 A.T.C. 49; 27 T.C. 409), and that both trusts failed for vagueness and generality, Lord Somervell saying that in his view the *Williams' Trustees* case was actually nearer the borderline. An interesting *dictum* by Lord Simonds upon the first trust was:

Its purpose is to establish what is well enough called a community centre, in which social intercourse and discreet festivity may go hand in hand with religious observance and instruction. No one will gainsay that this is a worthy object of benevolence, but it is another question whether it is a legal charity and it appears to me that authority, which is binding on your lordships, puts it beyond doubt that it is not.

As regards the conveyance of land for a recreation ground, he declared that because a trust in such vague and general terms could not be supported it did not follow that a devise or conveyance of land for that purpose would also fail. This, he said, was the particular concern of the Attorney-General and

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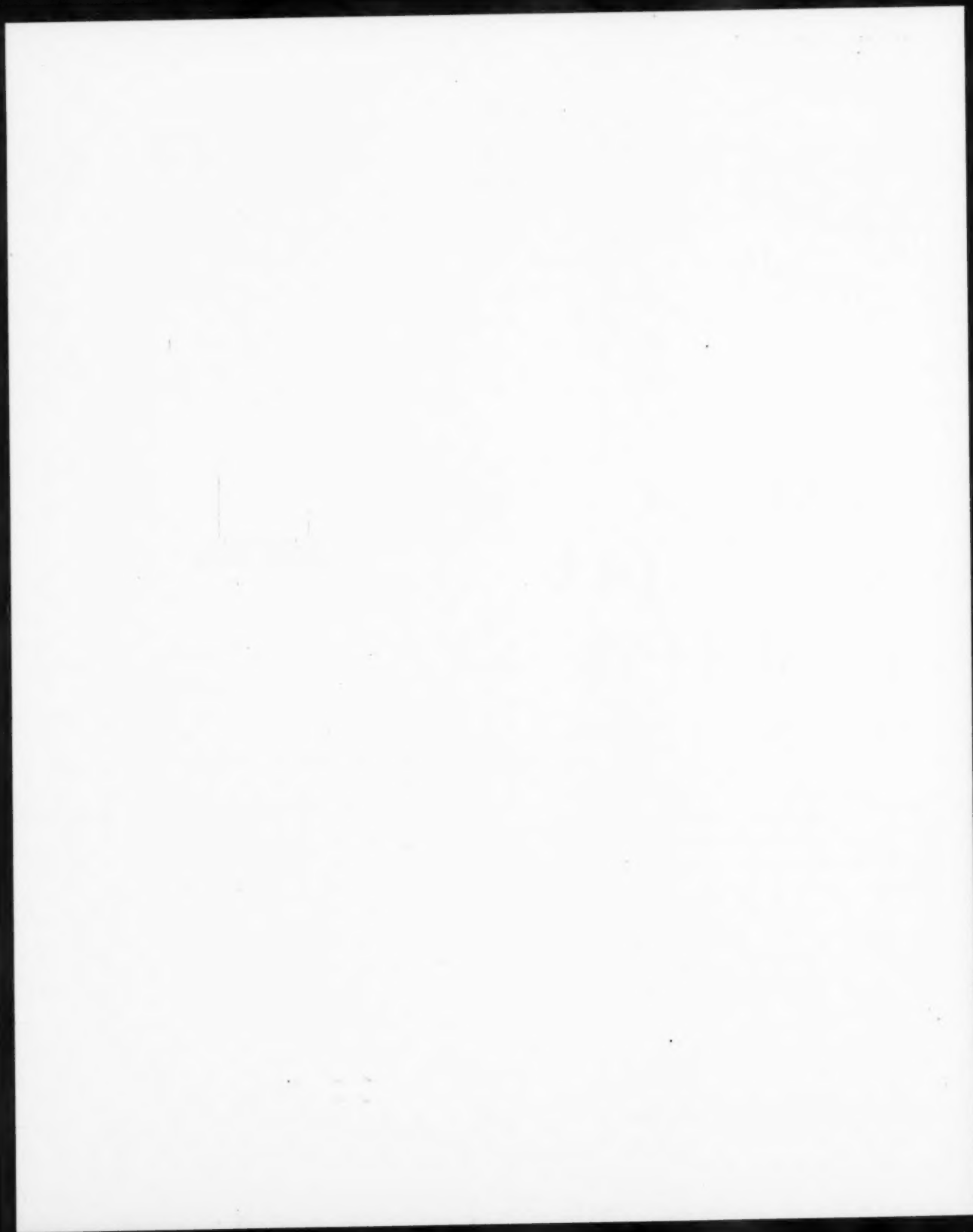
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he expressed the view, in the circumstances *obiter*, that a gift of land for use as a recreation ground by the community at large or by the inhabitants of a particular geographical area might well be supported as a valid charity. It was, however, in his opinion particularly important in cases within Lord Macnaghten's fourth category:

to keep firmly in mind the necessity of the element of general public utility, and I would not relax this rule. For here is a slippery slope. In the case under appeal the intended beneficiaries are a class within a class; they are those of the inhabitants of a particular area who are members of a particular church.

And he stressed the importance of distinguishing between a form of relief extended to the whole community but by its nature advantageous only to the few and one accorded to a selected few out of a larger number equally willing and able to take advantage of it. The

former would but the latter would not be a charity. A bridge available to all the public might undoubtedly be a charity and it was indifferent how many actually used it; but if its use were confined to a selected number of persons, however numerous and important, it would clearly not be a charity.

It is not of general public utility, for it does not serve the public purpose which its nature qualifies it to serve.

The decision in the case will be welcomed by those who think it undesirable that there should be in the charitable exemptions possibilities of endowing at the public expense cheap benevolences for the benefit of selected sections of the community. At the present time, however, the path of reform is badly obstructed by legal decisions of the highest authority, a matter which has become increasingly important in the "Welfare State."

TAX CASES— ADVANCE NOTES

By H. MAJOR ALLEN

HOUSE OF LORDS.

C.I.R. v. Universal Grinding Wheel Co. Ltd. March 30, 1955.

This case was the subject of a note in ACCOUNTANCY for May, 1954, at page 187.

The House of Lords unanimously affirmed the decision of the lower courts and dismissed the Crown's appeal.

COURT OF APPEAL.

Owen v. Southern Railway of Peru. March 18, 1955.

This case was the subject of a note in ACCOUNTANCY for January, 1955, at page 26.

The Court of Appeal unanimously dismissed the company's appeal. Leave to appeal to the House of Lords was granted.

The Student's Tax Columns

PERIOD OF COMPUTATION—II*

WHEN WE COME to claims for relief for losses, we find that Section 341 of the Income Tax Act, 1952, provides that the amount of a loss sustained in a business is to be "computed in like manner as the profits or gains arising" from the business are to be computed under the rules of Case I of Schedule D. The claim is based on a loss for the year of assessment in which the loss arose. The period of computation is therefore the "actual" period of the loss. Except in the early years of a business and the last year, it is the practice normally to regard the accounting period ended in the year of assessment as if it were co-terminous with the latter. Section 341 is extended by Section 15, Finance Act, 1953, so that any loss not relieved against the income of the year in which it arose may be claimed against the income of the following

year. This, however, does not affect the period of computation of the loss.

Moreover, by Section 20, Finance Act, 1954, capital allowances not otherwise relieved may be added to the loss for the purposes of the Section 341 claims. These are the unexhausted capital allowances for the year of the loss, and cannot exceed the allowances of that year.

Under Section 142, a person who carries on two or more distinct businesses chargeable under Schedule D may set off against the profits as computed under the Act in respect of one business the loss so computed sustained in the other business. Here the loss in the basis period of one business is set against the profit in the basis period of the other, before deducting capital allowances.

Example.—A. carried on a business which in the year to September 30, 1954, made a profit of £1,600. His wife carried on the business which in the year to January 31, 1955, showed a loss

of £500. In 1955–56, A. could claim to set the loss against the profit, leaving £1,100 as the assessment, subject to deduction of the capital allowances on his own business.

Alternatively, A. could have made a Section 341 claim in 1954–55 in respect of the loss plus any unrelieved capital allowances on the wife's business.

Since the profits are to be as computed under the Act, a loss in the first accounting period may give unexpected relief as is shown below:

Illustration.—B. started a business on May 1, 1953, and his accounts for the year to April 30, 1954, showed a loss of £900. B. had another business showing good profits.

Applying the "new business" rules of computation would allow B. to set off under Section 142 against his other business the following losses:

1953–54
The actual loss $11\frac{1}{12}$ ths \times £900 = £837
1954–55 First 12 months' loss £900
1955–56 Previous year's loss £900

Any loss not relieved in any other

*The first article on this subject appeared in our April issue, on page 149.

way may be carried forward under Section 342. Here again the loss is to be computed in like manner as profits, but "doubling up" is prevented by the words "in respect of which relief has not been . . . given" under any other provision of the Act.

Illustration.—Business started June 1, 1953. Accounts to December 31, 1953: loss £800. Accounts to December 31, 1954: profit £600.

Assessments:

1953-54	—£800 + $\frac{3 \frac{1}{6}}{12} \times £600$	
	= —£800 + £158 = nil	
1954-55	—£800 + $\frac{5}{12} \times £600$	
	= —£800 + £250 = nil	
1955-56	Previous year's profit	£600
	less unrelieved loss:	
	Total Loss	£800
	Relieved:	
	1953-54	£158
	1954-55	250
		— 408
		— 392
	Assessment	208
		—

Had it not been for the loss, there would have been an assessment of £158 in 1953-54 and of £250 in 1954-55. The loss has therefore been used to that extent.

When a business is assessed as discontinued and there is a loss in the last twelve months, this "terminal loss" may be set against the profits charged to tax on the business in the three years of assessment last preceding that in which the discontinuance

occurs. The only exception is that if it is a partnership change, those partners who continue in the business cannot carry their shares of loss back. Instead, they can carry them forward.

A terminal loss is computed by adding the following amounts in so far as not otherwise taken into account so as to reduce or relieve any charge to tax:

(a) the loss incurred in the year of assessment in which the cessation occurs;

(b) the relevant capital allowances for that year of assessment;

(c) the loss incurred in the part of the preceding year of assessment beginning 12 months before the date of cessation;

(d) the same fraction of the capital allowances of the preceding year of assessment. The relevant capital allowances are those of the year of assessment, ignoring any brought forward from a previous year.

The loss is to be computed in like manner as profits under the Rules of Cases I and II.

The purpose is to arrive at the actual loss of the last 12 months.

Illustration:

Profits year to December 31, 1953	£500
Profits year to December 31, 1954	£640
Loss period to August 31, 1955	£600
Capital Allowances available:	
1954-55	£720
1955-56	£310

The terminal loss would be:

(a) April 6, 1955 to August 31,

$$1955 \frac{4 \frac{5}{6}}{8} \times £600 = £363$$

(b) Capital Allowances 1955-56 310

(c) September 1, 1954, to April 5, 1955:

Profit September 1, 1954 to December 31, 1954

$$\frac{4}{12} \times £640 = £213$$

Loss January 1, 1955 to April 5, 1955

$$\frac{3 \frac{1}{6}}{8} \times £600 = 237$$

24

(d) Capital Allowances September 1, 1954, to April 5, 1955

$$\frac{7 \frac{1}{6}}{12} \times £720 = £430$$

but limited to amount available 220

(The assessment for 1954-55 was £500 less capital allowances £500 = nil)

Total loss £917

Had the profit of 1953 been £100, the assessment for 1954-55 would have been increased to

$$\frac{8 \frac{5}{6}}{12} \times £640 - \frac{3 \frac{1}{6}}{8} \times £600 = £471 - £237 = £234$$

Less Capital Allowances 234

All the loss falling in 1954-55 would therefore have been relieved, giving a nil amount under heading (c), but there would be £720 - £234 = £486 unrelieved capital allowances, so that the full £430 would be available in heading (d).

Publications

A Manual of Secretarial Practice. By Head, Porter Fausset and Wilson. Seventh edition (1955) revised by E. Dennis Smith, LL.M. Pp. xxii + 867. (Published under the authority of the Council of the Corporation of Secretaries Ltd. by Macdonald and Evans Ltd.: 21s. net.)

THE WORK OF revising this book was begun by the late Mr. Denis Townsend and has been completed by Mr. E. Dennis Smith. It is another of the number of good manuals on secretarial

practice which are available: it is very good value for the money.

After a short general introduction, the book deals with secretaries to companies incorporated under the Companies Acts. The main text runs to page 632. It is well written in an interesting way. The fact that the words of Sections of the Companies Act, 1948, are not reproduced in the main text, though they are quoted verbatim in smaller type where necessary, makes for ease of reading. The treatment is very good and very thorough. Explanations, reminders and comparisons are given, and a number of specimen forms are included. Students and practitioners will find the volume of

great assistance, not only for its exposition of the legal matters which must necessarily be covered in a work of this kind, but also for the discussion of other aspects of a secretary's work, such as office organisation and the help to be obtained from various mechanical devices. There are useful chapters on insurance and stamp duties. The main features of income tax and estate duty as they affect companies are briefly pointed out.

The appendices give a list of the returns required and penalties imposed by the Act; reproduce Tables A of 1908, 1929 and 1948 (this is helpful); give the Stock Exchange requirements for a

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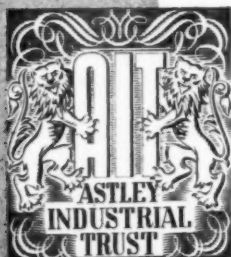
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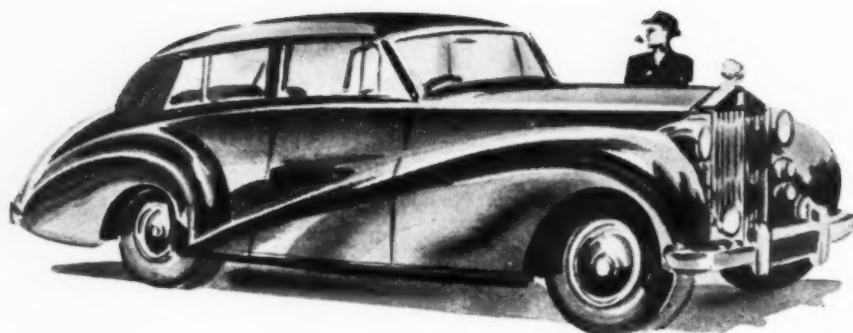
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quotation; deal with club duty (another interesting feature); and set out a number of specimen forms, most of which relate to the securities of a company. The latter include the Stock Exchange forms for applications, allotments and letters of rights.

In a manual which is so satisfactory in all other respects, it is a little surprising to find no mention of the Prevention of Fraud (Investments) Act, 1939. This Act is so far-reaching in its effects on dealings with securities that it merits much more attention than it has so far received in works of this kind. Any secretary in any company who proposes to write to a member about taking up more shares in the company may commit an offence if he does not pay regard to the terms of the Act. It is suggested that it would strengthen the explanation of exempt private companies on page 69 if it were pointed out that it is possible to trade by means of a group of such companies, provided that the total number of persons holding shares in the companies in the group (counted in accordance with paragraph 6 of the Seventh Schedule) does not exceed fifty.

Apart from these points the claim that the manual is a "comprehensive and practical work of reference" and "an authoritative text-book for students" is entirely justified. With a copy of the Companies Act beside him, the reader will find himself well equipped.

T.W.S.

Continuous Auditing. By Angus MacBeath, C.A., A.C.W.A. Pp. 125. (Gee & Co. (Publishers) Ltd.: 17s. 6d. net.)

THIS LITTLE BOOK is devoted to the problem of producing annual accounts with the least possible delay after the year end. The author urges that auditors should pay visits to their larger clients four or six times in the year. This, of course, is nothing more than the regular and systematic practice of "work-ups" which are familiar in every audit office. Indeed, there are large cases in which the auditors go beyond this and make a continuous audit by having staff in practically daily attendance.

The author describes test checking as something to which auditors have been "forced by necessity as it became less and less practicable to vouch all the transactions." The reviewer must be allowed to protest here that we do not examine a record in selection because nothing more is possible, but because with modern techniques of internal check and careful co-ordination of

systems, more than testing is usually unnecessary; if the auditor cannot obtain satisfaction as a result of his test check, he will increase the area examined even until it amounts to a practical verification of the record as a whole, or in the alternative he must report his inability to reach satisfaction with the accounting.

What is new in the book is the proposal that the periodical attendances should become independent of the annual accounts. "No effort is made to complete the audit before the report on the accounts is signed" (page 35). The author objects to the "rigidity which shuts auditing into yearly compartments" and presses that auditors should regard an audit as a continuing work, carried on in sections which are not tied to completion at any fixed date for annual accounts. For example, he suggests a practice of five visits per annum, the last before annual accounts being made on November 10, when auditing would be carried up to September 30. He then cheerfully examines the accounts prepared for the year ended on December 31 on the basis of having tested and proved the accountancy system to September 30 and completes and signs his report without further ado early in the new year, apparently well before his next visit on February 28 to do the work for the remaining three months of the expired year.

This really will not do.

W.J.B.

Angry Uncle Dan. By James Yaffe. Pp. 330. (Constable: 13s. 6d. net.)

SPURRED ON BY high ambitions Dan Waxman of Chicago, the hero of this amusing novel, enrolls in a night course in banking and public accounting, and within two years is licensed, certified and set up in his own office. He manages, despite a temperament that inclines to irascibility (and opera), to do well right from the start. A business tycoon, Martin Drexell, selects him from among a hundred other accountants, "with bigger reputations and Gentile names" (for Dan is a Jew), to handle his affairs. Having satisfied himself from the books that Drexell Enterprises are not only sound but flourishing, Dan invests some of his surplus cash in them, and his many friends follow suit. There is general rejoicing when the shares rise on the stock exchange.

But presently unpleasant rumours begin to circulate. It is suggested that the books Dan is working on may not be the *only* books that Drexell keeps: that there may, in fact, be other accountants,

in other parts of the country, all of them engaged on different sections of the great man's interests, and none of them knowing what the others are doing. Dan is righteously indignant with the elder brother who pours these base insinuations into his ear, and it is most unfortunate that they should turn out to be true. Drexell shares fall to zero.

As it happens, Dan had invested no more than he could afford to lose, but many of his friends had committed themselves more heavily. The crash results in his being cold-shouldered at the Club, and eventually things get so bad that he is obliged to leave Chicago, with its pleasant associations, and start all over again. The adventures of Dan Waxman, and of his long-suffering wife Sarah, from the moment of their arrival in New York, are varied, exciting, and also a little sad. The fiery temper is far too often in evidence, poisoning every human relation. Dan is unable to keep his secretaries, his clients, and his friends.

Finally, no longer a young man, vaguely aware that something has gone wrong somewhere, he decides to give up his accounting practice, to sublet his swell office, dispose of the car, and go off on a Grand Tour of indefinite duration. He and Sarah visit England, France, Italy, Switzerland, but Dan's implacable daemon will give him no rest. Still at war with himself, and disillusioned with Europe, he returns to America, there to plunge into a series of wildcat speculations such as would, in earlier days, have made his hair stand on end.

To reveal more of the plot of *Angry Uncle Dan* would be unfair, though it may be said that all comes out well at the end—with a return to Chicago and the simple joys of accountancy! The author writes with verve, humour, and sympathy, for, by the time that we have reached the last page, with the shortcomings of the protagonist all too clear, we have come to like him, too. A book which may be thoroughly recommended to the professional reader in need of light relief—and a tonic.

R.R.

Books Received

Stevens' Elements of Mercantile Law. Twelfth Edition. By John Montgomerie, B.A., Barrister-at-Law. Pp. lxiv+662 and Index 82. (Butterworth & Co. (Publishers), Ltd.: 17s. 7d. net.)

Borough of Swindon. Abstract of Accounts for the Year ended March 31, 1954. (Borough Treasurer, Civic Offices, Swindon.)

(Continued on page 193.)

Points From Published Accounts

Giving a Lead

IN A MONTH in which the reports of public companies have flooded out there are three which stick in the memory, namely those of *Associated Electrical Industries*, *Ford Motors* and *Vauxhall Motors*. They can be happily recommended to anyone who is interested in seeing how mammoth concerns tackle the task of simplifying the lay-out of their accounts. Setting what the writer considers to be a new "high" in shareholder relationships is the magnificent annual review of the first company. It is the vehicle for the chairman's annual speech, but very much more than that, as the major part is occupied by a host of pictures and interesting discussion. The A.E.I. group is the largest in the country with a stake in the production, distribution and consumption of electrical energy.

Although the matters we are discussing do not come strictly within the purview of these notes, they should be of wide interest. A.E.I. has over 30,000 shareholders, worldwide interests, an output of nearly £100 million, and capital employed running into tens of millions. The value of good shareholder relationships has been emphasised by the company's capital needs in the inflationary postwar years, and to show what is considered to be both practical and desirable we draw attention to several points made by the chairman, Lord Chandos, at the annual meeting.

The A.E.I. company "is an undertaking of national importance and scope and we desire to see its stockholding as broadly based as possible." It has therefore been decided to pay quarterly dividends (*British American Tobacco* is the only British undertaking of comparable size to do so) and "to publish as full a progress report as is practicable covering six months of the company's operations, and we may add to this some smaller progress report quarterly." The company has thus cut across the officially expressed view of the Institute of Directors, and come down heavily in favour of the chairman of the London Stock Exchange, who is a champion of half-yearly progress reports.

It was also announced at the meeting that shareholders would be given, initially, an opportunity to visit two of

the works, with the 200 visitors to each chosen by ballot. Judging by the great reception to the invitation to shareholders of *Bowater Paper Corporation* to tour the mills after the annual general meeting we imagine that ballots will be very necessary.

Finally, the company has decided to offer new shares to its employees; they are a bargain at 40s. per share. And to assist those employees who might have difficulty in paying immediate cash in full with their application, "we are proposing in appropriate cases to make loans to them to enable them to do so." A condition of acceptance is that the shares shall not be disposed of for a period of at least three years. The Board feels "it is necessary that employees who take up such shares shall do so as a long term investment in the future of the company and shall not speculate with them to the detriment of the company's existing stockholders."

Moo, Moo

The *Cow and Gate* report is very informative. On the inside covers are pictures of the group products to give added weight to the chairman's hope "that shareholders will continue to insist upon being supplied with our dairy products, because they are, or at any rate should be, available in reputable grocers and dairy shops throughout the country." Before the reader comes to the accounts there is a list of the factories, depots and branches, a page giving the names and addresses of oversea factories and agencies, and another with a list of products. Then shareholders come to the parent balance-sheet with nine footnotes and the comparative figures in red ink, followed by the consolidated balance-sheet with twelve footnotes, the group profit and loss account and two pages of schedules. Finally, before the chairman's speech there is a summary of group balance sheets, profits and dividends for a decade, with an analysis of the application of gross revenue at the foot. Shareholders thus have plenty to assimilate.

At the same time, the consolidated profit and loss account is rather bewildering, because it is completely impossible to arrive at a "normal" net and full accounts at the same time, as

profit after taxation owing to the inclusion in this figure of abnormal debits and credits whose tax content is not specified. The picture would perhaps be simplified, since the company shows profits before tax, if dividends were to be shown at their gross as well as net amounts. As it is, the company strikes a net profit before tax, but after deducting losses on sales of fixed assets, amounts written off in respect of obsolete plant, and share and debenture issue expenses. To this net profit is added "Over-provisions, less under-provisions made in, and income less expenditure relating to previous years and items of an exceptional nature," to give a "total profit before taxation." Tax is then deducted after "Adjustments of taxation relating to previous years less charges in respect of net credits relating to prior years." The amounts are not greatly important, but in the previous year the over-provisions were £227,614, and the tax debit was increased by roughly one-third of the amount of the Ordinary dividend.

We could wish that these exceptional items were taken out of the accounts altogether and relegated to a footnote, but perhaps this is not possible. If it is not, then the company could assist shareholders by striking a profit before tax without taking exceptional items into account, and then showing dividends at their gross amount, as has been suggested.

It may be asked why the writer is being picky. Well, he is writing on behalf not only of the shareholding community, but of the numerous financial journalists who wish to see the wood for the trees, as well as institutional investors and their advisers. Taking an outrageous example to make the position perfectly clear, if a company shows a net profit of £100,000 after tax and has brought to credit an exceptional £100,000 it is obviously most important in deciding the cover for the dividend to know what tax has been paid on this credit. Conversely, if there is a £100,000 debit it is equally important to know what tax relief, if any, has been allowed. It might well be that without the credit there would be no net profit and without the debit a doubled net profit.

The Complete Picture

Dawber, Townsley has no subsidiaries, but even if it had the directors would no doubt have found a way of repeating a format that has a considerable appeal. The accounts and chairman's speech cover six sides, and on opening up the reader can study the chairman's speech

and full accounts at the same time, as only one sheet of paper is used. There is something here for other companies to think upon. It is often very useful to be able to read footnotes to the accounts without, as happens so often, having to turn half a dozen pages. Perhaps the chairman's speech might be more useful

alongside the accounts. Accountants might develop the Dawber, Townsley idea and decide whether or not footnotes or speech should be printed on a folding-in (? folding-out) page.

This sort of thing has, of course, sometimes been carried to excess. The accounts arrive snugly fitted into a fools-

cap envelope, but when they are opened out the unfortunate recipient finds that the chairman's speech is printed at an angle of ninety degrees to the profit and loss account, and that in order to refer to what the chairman is discussing in the balance-sheet it is necessary to turn the sheet upside down and on to its face!

The Month in the City

A Modest Recovery

After the general weakness recorded a month ago there has been a considerable recovery in most sections, but in gold mines the decline has continued, if at a rather slower pace. It is difficult not to find this renewed strength rather surprising. The usual spate of pre-budget White Papers has come and been forgotten. It is true that many may have seen little comment on some of them owing to the newspaper strike. It is also the fact that they were couched, on the whole, in rather favourable language. But it is by no means the case that the showing of the estimates for the country's performance in the second half of last year were encouraging. Further, during the whole period there has been considerable expectation that the date of the General Election had been advanced to the spring of this year, a supposition which seemed to gain some support when it was found that the reports of the impending resignation of Sir Winston Churchill were proved correct. For many months past one has been assured by all the financial experts that at the first hint of an election the speculators would take fright and securities would fall in value. In the event the position seems to be that the same people are now so convinced that the General Election fixed for May 26 will result in a victory for the present Government that this is in itself a reason for buying. It is of course true that markets have been very "thin" indeed. It is very probable that speculation is at a nadir and that the rise is due to the steady investment of funds by institutions and pension funds, more than to anything else. Nonetheless, it is surprising that there is no selling to offset it.

Budget Forecasts

Two events may have helped to explain the strength of markets: the confirmation of a very large surplus on the budget on the traditional basis and the

fact that the gold loss of the sterling area in March was reduced to very moderate figures. Both these are, however, matters on which the average member of the public looks to the newspapers for ideas, if not for enlightenment, and the national papers have been silent. The strike has also meant that there has been very little of the usual speculation on what the Budget would produce. It is also pertinent to observe, in relation to the absence of national newspapers, that a company wishing to make an issue of stock or shares would, in most cases, be incapable of complying with the requirements for advertisement, while it is very difficult to see how these requirements could be waived since their whole object is to secure widespread publicity. Thanks to this circumstance there has been little opportunity to test whether would-be borrowers would have taken the opportunity of the relative strength of the market to secure funds.

Budget Effects

The immediate reactions to the Budget on the stock market were very slight as regards either the volume of business or its direction. The income tax relief is cheering to investors personally and will add something to company reserves. But there are those who see the Budget as too "soft" and expect an intensification of credit control. There was talk of a further sharp rise in Bank Rate, but it will be time enough to think of that when long term rates have been forced up by a funding operation. Meanwhile, short money is certainly tight and the market are "in the Bank" with fair regularity, if only for moderate amounts on each occasion. The net result of these various forces is reflected in the following changes in the indices compiled by the *Financial Times* between March 17 and April 20: Government securities, a rise from 99.43 to 99.79; fixed interest, a rise from 109.38 to 110.29, and industrial Ordinary from 181.4 to 189.3; while

gold mines have declined further from 88.90 to 85.00. The undertone remains weak.

Unilever Results

The past month has brought preliminary results or final figures for a very large number of companies, but few have been of very great interest. An exception to this generalisation is the result of the *Unilever* group, whose turnover, at £1,437 million odd, shows a rise of more than 10 per cent., while the consolidated net profit is up by over £6 million to £31,854,000. Of this rise, however, more than one-third is due to exceptional items of a favourable character. A further feature of the result is that, against the usual experience, the rise has been greater in the Dutch section of the group than in the British. This is a matter of academic interest to shareholders, since the whole profits of the undertaking are equally at the disposal of the shareholders of each subgroup irrespective of which earns them. In practice the dividend has been maintained at the 1953 rate, but on a capital increased in each case by 25 per cent. The full accounts will be available about May 4, with the usual very full exposition of the group's activities. Evidently it has benefited from the growing freedom of international trade as well as by further domestic relaxations, mainly in the United Kingdom. No doubt also the rise in prices of some of its products has contributed to swell total turnover.

The Cunard Payment

It is difficult to gauge the effect of the recent agitation for a less conservative policy by the Board of the *Cunard Steamship Company*. Profits on the year are down by some £915,000 to £5,227,000 and despite this the Board are distributing gross some £52,000 more. In effect they are paying on the capital as increased by a free scrip issue of two for three a total of 10 per cent., against 16 per cent. on the old capital—equivalent to 9.6 per cent. on the new. No explanation is given of the reduction in earnings, but it probably arises mainly from a decline in freight traffic across the Atlantic in each direction, particularly

between this country and Canada, and also from some reduction in freight rates. The current year should see an improvement and it is perhaps symptomatic that contemporaneously with the announcement of the preliminary figures the company stated that the *Mauretania* had earned about \$2,500,000 in the past three months from Western Hemisphere cruises.

Savoy Adjustments

A week before the Cunard announcement the *Savoy Hotel* Board disclosed their intentions with regard to dividend and capital. There has already been a scrip issue since the troubles over the take-over manoeuvres. The nominal rate of dividend and bonus is maintained on the increased capital, which means that there is a rise from 13½ per cent. to 15 per cent. on the present capital. There is also to be a cash capital distribution of 30 per cent. which is tax free, and a further free scrip issue of one "B" share of 5s. for every £10 of ordinary stock units now held. The £1 stock units are to be split into two of 10s. each. The most important factor in this rearrangement is that each 5s. "B" unit carries ten votes, whereas all other stocks carry one vote per £1 nominal value. This will clearly enable those who secure the bulk of the new "B" units, presumably those who were able to foil the attempt to change control, to secure a voting majority at a minimum expense.

C.D.F.C. in Tasmania

The latest published venture of the *Commonwealth Development Finance Company* is to lend £2,500,000 at 5½ per cent. for fifteen years to the *Tasman Pulp and Paper Company* of Kawerau, New Zealand, and to take up 500,000 ordinary shares of £1 in that venture at par. A similar amount of money has been, or will be, raised by the issue of debentures in the Dominion. Other holders of the equity include the New Zealand Government, Albert E. Reed and Fletcher Holdings. This looks like an ideal outlet for C.D.F.C. funds, and they have certainly not lent at the bottom of the market from their point of view. Tasman Pulp and Paper are to produce a large part of local requirements of paper and pulp, thus saving substantial sums in dollars.

C.I.C. Remains

If there were any who hoped to see a drastic reduction in the duties of the Capital Issues Committee in the near

future they must now be certain that they will have to wait for some time. There was a period not so long back when it looked as though some real change was possible, but the need for tight money has encouraged Mr. Butler to use the alternative means of direct restriction rather than make a general rise in longer-term rates inevitable. In reply to a question in the House he has reaffirmed the need for the powers and duties of this body to be fully maintained insofar as they concern control of demands for new money in excess of £50,000 per annum. He has, however, taken a step which should remove some of the excuse for undue delays, insofar as there was any substance in them. A whole list of operations which call for no new

money whatever, but which involve the issue of new securities, has now been removed from the purview of the C.I.C. These include any acquisition or new flotation whose sole effect is to transfer funds from one company to another; and the issue of shares to extinguish loans, or to secure loans at present unsecured. (Presumably in the last case the securities in question would not be marketable.) Further cases relieved are postponement of redemption dates, and conversion or renewal of existing securities. This is a welcome step, as it not only makes for more expeditious treatment of genuine demands on the public for savings, but eliminates a type of inquisition for which there appears to be no possible justification.

Readers' Points and Queries

Conversion of Property

Reader's Query.—At the end of the article on *Conversion of Property* in the March issue of ACCOUNTANCY, on page 106, the contributor says: "Expenditure on making good war damage when it is not recoverable from the War Damage Commission or any other person can also be included in an excess maintenance claim."

We shall be obliged if you will give your opinion on the position where an owner has made good war damage, but the cost was not met by the War Damage Commission on the grounds that they had not received notice of the incident at which the damage was caused.

Reply.—In our view, in these circumstances the expenditure, not being recovered from the War Damage Commission, can be included in the excess maintenance claim.

Building Society Interest—Furnished Property

Reader's Query.—I refer to the Student's Tax Columns article on *Building Society Interest* in the March issue of ACCOUNTANCY (pages 111-2). What is the correct procedure for dealing with

building society interest paid on a property which is let furnished? For example:

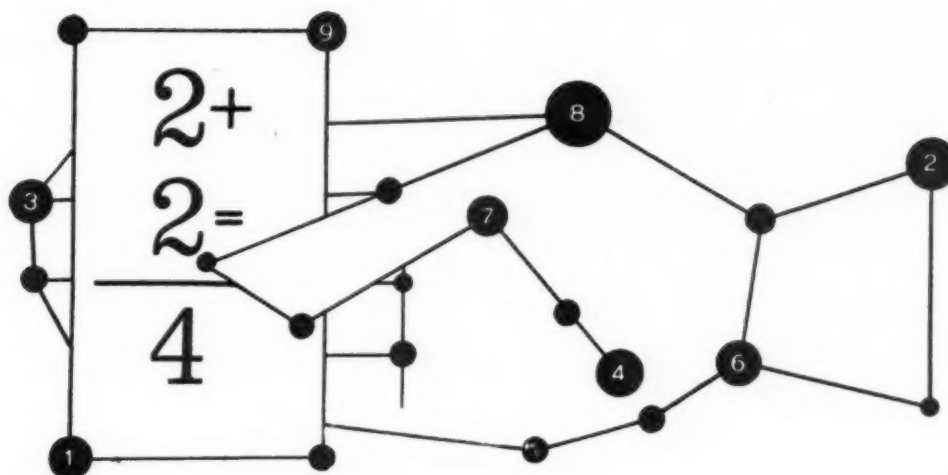
	£
Gross rent, less insurance, repairs and commission	76
Building society interest	72
Schedule A on property	47

Should the building society interest be set off against the Schedule A assessment, and the balance from the profits, or is there any ruling whereby if the interest exceeds the Schedule A assessment, only the building society interest can be set off against profits, and the Schedule A allowance is ignored?

Should the procedure be as follows?

	£
Net rents	76
Less Schedule A on property let	47
	29
Building society interest	72
	—43

Reply.—The building society interest should be set first against the Schedule A assessment, and the balance against other income. The full net annual value is still deductible in arriving at the profit on furnished letting.



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Legal Notes

Company Law— Position of Managing Director

In *Harold Holdsworth and Co. (Wakefield) Ltd. v Caddies* [1955] 1 W.L.R. 352, the House of Lords considered the position of a managing director. C. originally owned all the shares in B.T. Ltd., but he sold these to H. Ltd., who also controlled two other subsidiaries. By a subsequent agreement in writing C. was appointed for five years a managing director of H. Ltd. and it was agreed that as such managing director he should perform the duties and exercise the powers in relation to the business of H. Ltd. and the businesses (howsoever carried on) of its existing subsidiaries which might from time to time be assigned to or vested in him by the Board of directors of H. Ltd. At first C. acted as sole managing director of H. Ltd. and also carried out certain duties in relation to its subsidiary, B.T. Ltd. However, disagreements arose between C. and the Board of directors of H. Ltd. as a result of which the Board resolved that henceforth C. should confine his attentions to B.T. Ltd. C. considered that this resolution was a breach of agreement and sued H. Ltd.

Their Lordships held that there was nothing in law to prevent a Board of directors appointing a managing director and limiting his duties according to their own wishes, and under this contract the Board were entitled to confine C.'s activities to managerial duties in connection with one of the subsidiaries. C.'s action therefore failed.

Contract and Tort— Repudiation of Insurance Claim

At common law a person wishing to take out an insurance policy must disclose all material facts which are within his knowledge, or else the insurers will be entitled to avoid the policy. Some insurers insist on further protection and require the proposer to warrant that all the facts stated in the proposal are true. In *West v. National Motor and Accident Insurance Union Ltd.* [1955] 1 W.L.R. 343, W., who wished to insure the contents of his house against burglary, signed a proposal form which contained the following clause: "I agree that this proposal and declaration shall be the basis of the contract of insurance between the

company and myself, and declare that the above amounts represent the full value of the property to be insured." In fact the amount stated by the proposer was a considerable undervaluation and when a burglary occurred some years later and he put in a claim the company refused to pay the claim—not in reliance on any special condition in the policy but on the general principle that they could repudiate a claim if the proposal form contained a material understatement. However, for some reason which is not clear the company expressly stated that they did not repudiate the whole policy. The Court of Appeal said that the company might have repudiated the whole policy, but as they had affirmed the policy they could not repudiate the claim. Accordingly the insured was entitled to succeed.

Contract and Tort— Penalties under Hire-Purchase Agreements

In hire-purchase agreements to which the Hire Purchase Acts of 1938 and 1954 apply the owners are limited in the amount which they may recover from the hirer in compensation if the agreement is terminated prematurely through the default of the hirer. In agreements to which these Acts do not apply the question whether the sum stipulated in the agreement is recoverable by the owners depends on the ordinary rules of law: if it is a genuine pre-estimate of damage, it is recoverable, but if it is a penalty it is not.

In *Lamdon Trust Ltd. v. Hurrell* [1955] 1 W.L.R. 391, Denning, L. J., in considering a hire-purchase agreement for a car, held to be void a clause which stipulated that, if the owners should retake the car, the hirer would pay a sum sufficient to bring his total payments up to 75 per cent. of the purchase price by way of compensation for depreciation (see page 165 of this issue).

Executorship Law and Trusts— Forfeiture Clause

L. bequeathed her residuary estate upon trust that the income should be paid to her son until he should attain the age of 55 years when he was to take both the capital and income absolutely. L. further provided that "if my said son shall commit permit or suffer any act default or process whereby the said income or any part thereof . . . would or might but for this present proviso

become vested in or payable to any other person then the whole of such income shall immediately thereupon absolutely cease and determine as if my said son were dead." While he was still under 55, the son gave to solicitors acting for creditors letters of authority to the trustees requesting them to pay to those solicitors certain sums "from the dividend due to me in July next from P. Ltd."

It is clear that if P. Ltd. had paid any dividend the son would have forfeited his interest but in fact the company never declared a dividend for that year. In *Re Longman* [1955] 1 W.L.R. 197, Danckwerts, J., held that in those circumstances the letters of authority were nugatory as there was nothing on which they could act and that the son had not incurred a forfeiture.

Executorship Law and Trusts— Personal Chattels

In *Re Hutchinson* [1955] 2 W.L.R. 586, it was held that racehorses used purely for recreational purposes were "personal chattels" as defined by Section 55(1)(x) of the Administration of Estates Act, 1925, and consequently the widow of the intestate took his racehorses absolutely.

Books Received

(Continued from page 189.)

Financing of County Services in Lancashire. Based on a paper delivered to the Lancashire Urban District Councils Association Conference, September, 1954, by Norman Doodson, F.I.M.T.A., F.S.A.A., County Treasurer. Pp. 20. (*County Treasurer, Preston.*)

Dilemmas and Challenges in Modern Practice. A paper read at a Seminar held at Incorporated Accountants' Hall, London, June 24, 1954. Reprint Series No. 16. Pp. 25. (*Society of Incorporated Accountants: 2s. 6d. post free.*)

PRESENTATION OF ACCOUNTING INFORMATION

A course on the presentation of accounting information to Boards of directors and top management will be held at the Department of Management Studies of The Polytechnic, St. Katharine's House, 194 Albany Street, N.W.1, on Tuesdays from 3.30 to 5.30 p.m. for seven weeks, commencing May 10. A prospectus and further details are available from the Registrar of the Department at that address.

The course is designed for senior executives and senior financial and cost accountants nominated by their firms.

THE SOCIETY OF Incorporated Accountants

New Members of the Council

(See also pages 162-3 and 196.)



Mr. James S. Heaton, F.S.A.A.



Mr. S. L. Pleasance, F.S.A.A.



Mr. F. E. Price, F.S.A.A.

The Reading of an Accountant

THE BIENNIAL DINNER of the Incorporated Accountants' Bradford and District Society was held at the Midland Hotel, Bradford, on March 25. The President, Mr. James S. Heaton, was in the chair, and the guests included the Lord Mayor and Lady Mayoress of Bradford (Alderman H. J. White and Mrs. White); Mr. Ronald Staples (Editor-in-Chief of *The Accountant* and Editor of *Taxation*) and Mrs. Staples; Mrs. James S. Heaton; Mr. Bertram Nelson (President of the Society of Incorporated Accountants) and Mrs. Nelson; the Mayor and Mayoress of Keighley (Councillor and Mrs. Noel Johns); Mr. W. J. Taylor, C.B.E., D.L., J.P., M.P. (Member of Parliament for North Bradford); The Very Reverend J. G. Tiarks (Provost of Bradford); Mr. F. D. Nickell-Lean (President of the Bradford Chamber of Commerce) and Mrs. Nickell-Lean; Mr. J. H. Shaw (President, Bradford Textile Society) and Mrs. Shaw; Mr. W. D. Lees (Inspector of Taxes) and Mrs. Lees; and representatives of other professional bodies.

Mr. Ronald Staples proposed the toast of the Society of Incorporated Accountants. He said that he had long come into close contact with Incorporated Accountants. Throughout the country they were held in the highest esteem. Indeed, he had met their members in Cape Town and in Durban, and when he was in the United States last year, many of the top flight accountants there paid tribute to the help which always came so willingly from their President and Mr. Craig. On the other hand, an Australian sheep farmer, when asked if the number of accountants in Australia had increased greatly since the war, replied: "No, I can't say that they have, but you know, Mr. Staples, our greatest pest is the rabbits."

One of the manifold responsibilities of accountants was their power to influence the investment of capital. The village grocer consulted his accountant before investing in a new bacon machine, and the Board of a great industrial company called in its accountants before embarking on vast schemes involving the expenditure of many millions of pounds. The total amount of capital virtually controlled by those present at that dinner must amount to many millions every year. This power of capital control was of inestimable importance, and was exercised conscientiously in the best interests of the country.

He felt that the Society had been particularly fortunate in its Presidents: Wilson Bartlett, Frederick Alban, Stuart Allen, Cassleton Elliot, Percy Barrowcliff, and now Bertram Nelson. Mr. Nelson had many gifts; a fine brain, a great personality and a wide reputation in both the fields of accountancy and of education. He had now taken to himself a charming wife, who would certainly be of the greatest help in all his many activities.

Mr. Bertram Nelson (President of the Society of Incorporated Accountants), responding to the toast, announced that Mr. James S. Heaton, President of the Incorporated Accountant's Bradford and District Society, had been elected to membership of the Council of the Society of Incorporated Accountants. The announcement was received with acclamation. Mr. Nelson, continuing, paid tribute to the professional Press of the accountancy world and to the services rendered to the profession by Mr. Ronald Staples. It was important that the accountant should maintain his standard of reading. The little stock of knowledge acquired in five or six years of study for examinations would not last through a long

professional life, however burnished by experience. Accountants were now called on for advice in such a wide variety of circumstances that wide general knowledge was necessary. It had been said that "all the material progress of mankind resulted from the making of careful measurements." The profession was entrusted with the responsibility of measurement in a wide area of business and physical activity: important decisions were taken on the basis of the measurements techniques of the profession. Mr. Nelson suggested some rules for reading: (1) Always have a serious book on the table and read it from time to time. (2) Specialise—buy and read all the books available on some specific subject, not necessarily related to accountancy, though there was need for accountants who were specialised on such subjects as office organisation and management, law for accountants and statistical interpretations. (3) Make notes—get to the core of a topic and write simply. (4) Read sound daily and weekly papers—look for zest rather than excitement.

Mr. James S. Heaton (President of the District Society) proposed the toast of the guests.

Mr. W. J. Taylor, C.B.E., D.L., J.P., M.P., in reply, spoke of the need for revision of the law on estate duty and on the taxation treatment of pension schemes for self-employed persons.

The Mayor of Keighley (Councillor Noel Johns) also replied. He referred to his long association with Mr. Heaton's family and with the Incorporated Accountants in Keighley.

Accountancy as an International Profession

MR. W. W. STANLEY, President of the Incorporated Accountants' South Wales and Monmouthshire District Society, presided at a dinner held by the District Society at the Park Hotel, Cardiff, on March 11. The company included the Lord Mayor of Cardiff (Alderman George Le Ferrier, J.P.) and the Lady Mayoress; the Deputy Mayor of Newport (Councillor H. H. Jones, J.P.) and the Deputy Mayoress; the Right Hon. Lord Pakenham, P.C.; Mr. Peter Freeman, M.P.; Mrs. W. W. Stanley; Mr. Bertram Nelson, J.P. (President of the Society of Incorporated Accountants)

and Mr. I. A. F. Craig (Secretary); Alderman D. T. Williams, J.P. (President of the Cardiff Chamber of Commerce); Mr. R. G. Alger (President of the Newport Chamber of Commerce); Sir Frederick Alban, C.B.E., J.P., and Mr. R. Wilson Bartlett, D.L., J.P. (members of the Council of the Society of Incorporated Accountants); Mrs. R. Wilson Bartlett; Mr. Mervyn Bell (past President of the Irish Branch of the Society); and others representative of the professions, commerce and education.

The loyal toast was honoured on the motion of the chairman.

The Right Hon. Lord Pakenham (formerly Minister of Civil Aviation), proposing the toast of The Society of Incorporated Accountants, said that when he was Minister he could claim to have inaugurated the first helicopter service in Wales. Although it seemed to have lapsed in the meantime he had no doubt that the day would come when it would be resumed, and he congratulated their President, Mr. Stanley, as joint managing director of Cambrian Air Services Ltd., and Mr. Kenneth Davies, chairman of the Welsh Advisory Council for Civil Aviation, on inaugurating the services.

Lord Pakenham concluded by saying that accountancy was ever more important in the modern world. Banks certainly would be impossible without accountants and a great deal of modern business depended upon them.

Mr. Bertram Nelson (President of the Society of Incorporated Accountants), responding to the toast, referred to Lord Pakenham's book *Peace by Ordeal*—an apt description of international affairs in recent years. The accountancy profession was increasingly international in scope and influence. Members of the profession had been Presidents of the Association of British Chambers of Commerce, of the Federation of British Industries, and of comparable overseas bodies; accountants in industry were taking an increasing part in advising Governments on policy decisions and might do something to reduce the present excessive and unnecessary complexities of international trade. Mr. Nelson gave, as an example, an invoice for British goods costing £44 recently exported to France, in which there were fifteen items for various types of taxes, levies and dues. The theory of taxation of international trade needed overhauling. Double taxation agreements helped, but something more was needed to meet modern conditions—perhaps a new status for international companies, under U.N.O. auspices, with taxation

apportioned on the basis of countries of operations or profits.

Accounting technique was, in many respects, international, and it was satisfactory that there was now such close co-operation between members of an international profession. The United Kingdom was the home of accountancy. Perhaps the profession would find, as architects had found forty years ago, that schools set up in co-operation with universities would draw students from the whole world, if great and enthusiastic teachers could be found.

Mr. D. R. Carston (Vice-President of the District Society) proposed the toast of the prosperity of South Wales and Monmouthshire. He said that South Wales and Monmouthshire had now a powerful industrial and commercial life of its own, quite apart from coal and steel. Their thoughts turned to the future, not only to maintain existing industries, but to secure the continual influx of new ones, and they were encouraged by the forecast made that week by Sir Frank Lee, Permanent Secretary of the Board of Trade, that within the next ten years there was likely to be a wholesale movement of industry from the London and Midland areas into Wales, Scotland and Northern Ireland.

As individuals they would feel a little more prosperous if the Chancellor could reduce the rate of income tax in his Budget. If things went on as they were, he could visualise an income tax return form ultimately containing only three questions: (1) How much money have you? (2) Where is it? and (3) How soon can we have it?

The Lord Mayor of Cardiff (Alderman George L. Ferrier), in response, said they could look with pride on the large numbers of modern factories which had been established in South Wales and Monmouthshire, producing an endless variety of commodities which were unknown and unthought of a short while ago. There was, however, no room for complacency. It was ironic that at a moment of industrial prosperity some of the South Wales docks should be suffering so greatly from lack of trade. Strenuous efforts were being made, and he appealed to Incorporated Accountants and other professional and industrial organisations to use their influence wherever possible to get shipowners and industrialists to send their ships to the South Wales ports.

Mr. W. W. Stanley (President of the District Society) proposed the toast of the guests. A response was made by Mr. Mervyn Bell, past President of the Irish Branch.

Incorporated Accountants' Dinner

THE SOCIETY of Incorporated Accountants held a dinner at Incorporated Accountants' Hall on March 22. The President, Mr. Bertram Nelson, was in the chair, and the guests included:

Mr. S. J. D. Berger (Director, Institute of Cost and Works Accountants); Mr. Patrick Butler (President, Institute of Chartered Accountants in Ireland); Mr. L. F. Cheyney (Secretary, Institute of Municipal Treasurers and Accountants); Mr. W. Macfarlane Gray (President, Association of Certified and Corporate Accountants); Mr. W. E. Harrison (President, Institute of Cost and Works Accountants); Sir Oscar Hobson (City Editor, *News Chronicle*); Mr. F. C. Hooper; Mr. Donald House (President, Institute of Chartered Accountants in England and Wales); The Master Cutler (Mr. W. G. Ibberson); Mr. E. H. V. McDougall (Secretary, Institute of Chartered Accountants in Scotland); Mr. A. S. MacIver (Secretary, Institute of Chartered Accountants in England and Wales); Mr. F. C. Osbourn (Secretary, Association of Certified and Corporate Accountants); Sir Harry Pilkington (President, Federation of British Industries); Mr. T. L. Poynton (President, Institute of Municipal Treasurers and Accountants); Major-General G. N. Russell; Sir John Somerville (President, Institute of Chartered Accountants of Scotland); Sir Edward Wilshaw.

After the loyal toast had been honoured, the President proposed the toast of "Industry and Commerce."

Sir Harry Pilkington and Mr. F. C. Hooper responded.

Stamp-Martin Scholarships

THE COUNCIL of the Society of Incorporated Accountants announces that applications for the award of the second Stamp-Martin Scholarship will be considered in July, 1955.

The purpose of these scholarships is to enable members of the Society, and those who intend to enter the accountancy profession as members of the Society, to undertake a full-time course of university study. The amount of each scholarship will be £100 per annum for a period not exceeding three years, and the number of scholarships current in any one year will be limited to three. The Society reserves the right to withhold awards if suitable applications are not received.

The scholarship will normally be tenable at any University or University College in Great Britain and Northern Ireland.

The various categories within which appli-

cations will be considered include the following:

- (a) Accountancy students who have obtained honours or passed well in the Society's Intermediate examination, and who satisfy the regulations for university entrance.
- (b) Incorporated Accountants who wish to take a university degree.
- (c) Those leaving school with a good certificate of general education, who declare their intention to qualify as Incorporated Accountants and to take a university degree. Applicants in this category should give evidence of attaining a standard of education sufficient to secure admittance to a university, preferably supported by a letter of recommendation from their headmaster.
- (d) University graduates wishing to take a second degree in a subject concerned with accountancy and who declare their intention to qualify as Incorporated Accountants.

In all cases applications will require a recommendation from the head of an appropriate University Department, and later from the Stamp-Martin Professor of Accounting.

Proposed holders of scholarships will be required to take a university course approved by the Society.

Applications should be sent to the Secretary, The Society of Incorporated Accountants, Temple Place, Victoria Embankment, London, W.C.2, not later than June 30, 1955.

Council Meeting

MARCH 23, 1955

Present: Mr. Bertram Nelson (President), Sir Richard Yeabsley (Vice-President), Sir Frederick Alban, Mr. F. V. Arnold, Mr. Edward Baldry, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. Robert Bell, Mr. C. V. Best, Mr. H. J. Bicker, Professor F. Sewell Bray, Mr. Andrew Brodie, Mr. Henry Brown, Mr. W. F. Edwards, Mr. Alexander Hannah, Mr. L. C. Hawkins, Mr. J. A. Jackson, Mr. Hugh O. Johnson, Mr. C. Yates Lloyd, Mr. W. H. Marsden, Mr. J. A. Prior, Mr. P. G. S. Ritchie, Mr. R. E. Starkie, Mr. Richard A. Witty.

The Late Mr. W. Norman Bubb

The President paid tribute to the work for the Society of the late Mr. William Norman Bubb. After standing in silence the Council adopted the following resolution:

The Council of the Society of Incorporated Accountants records with deep regret the death of MR. WILLIAM NORMAN BUBB, FELLOW, who had been a member of the Society since 1900, and a member of the Council from 1934 to 1945. The Council records with gratitude MR.

BUBB's services to the Society, and extends its sympathy to Mrs. Bubb in her bereavement.

Netherlands Institute of Accountants

It was resolved that the Society be represented at the Jubilee celebrations of the Netherlands Institute of Accountants, to be held at Scheveningen from May 19 to 21, by the President and Mrs. Nelson, the Vice-President and Lady Yeabsley, and the Secretary and Mrs. Craig.

Council

The resignation of Mr. W. H. Fox, Fellow, Northampton, from membership of the Council was received with regret. Mr. Fox had been a member of the Council since 1950, but on medical advice had decided to restrict his commitments. A resolution recording a warm vote of thanks to Mr. Fox for his past services to the Council and the Society was adopted unanimously.

The Council received with regret a report that Mr. W. T. Manning, Fellow, Leicester, felt compelled, for reasons of health, to decline the invitation extended to him to accept appointment to the Council to fill a casual vacancy.

The Council resolved under the provisions of Article 48 that Mr. James S. Heaton, Fellow, Bradford, be appointed to fill the vacancy on the Council caused by the death of Mr. T. H. Nicholson; that Mr. F. E. Price, Fellow, London, be appointed to fill the vacancy caused by the resignation of Mr. C. A. G. Hewson; and that Mr. S. L. Pleasance, Fellow, London, be appointed to fill the vacancy caused by the resignation of Mr. W. H. Fox.

Reports of Committees

The Council received the minutes of recent meetings of the Finance and General Purposes Committee, Articles and Bye-laws Committee, Cambridge Course Committee, Hall Committee, Library Committee, Disciplinary Committee and Selection Advisory Committee.

Revision of Articles of Association

The Council approved a notice convening an extraordinary general meeting to be held on May 17.

Annual Report and Accounts

The annual report of the Council and the accounts of the Society for 1954 were approved.

Cambridge Course

The Council approved plans for holding a course at Cambridge in September, 1955. (See page 128 of our April issue.)

Incorporated Accountants' Hall

The question whether to build an extension to Incorporated Accountants' Hall was referred back to the Hall Committee for further consideration.

Sir James Martin Memorial Exhibition

The Council approved the award of the Sir James Martin Memorial Exhibition in

respect of the November 1954 Intermediate Examination to Mr. Patrick Louis Cowley, articulated to Mr. H. S. Sanders, F.S.A.A., Brighton.

Royal Society of Arts

The Council nominated Mr. C. V. Best to succeed Mr. C. A. G. Hewson as a member of the Examination Committee of the Royal Society of Arts.

City of London College

Mr. E. Cassleton Elliott was nominated to serve for a further term of three years as the Society's representative on the Board of Governors of the City of London College.

British Institute of Management

The Council congratulated Sir Richard Yeabsley on his re-election to the Council of the British Institute of Management.

Membership

The Council approved applications for admission to membership of the Society, for election to Fellowship and for registration as members in retirement.

It was reported that Mr. W. G. Stephens, Fellow, Leatherhead, executed a deed of assignment for the benefit of his creditors on February 22, 1955, and in so doing automatically forfeited his membership of the Society from that date under the provisions of Article 28.

The names of the following persons were removed from the membership roll of the Society under the provisions of Article 27: GENTLEMAN, Robert George, Eastbourne; HALE, Ronald James, Formby; HARDING, Hubert Collins, Boolerstown, Co. Dublin; HOLLAND, Walter, Sutton Coldfield; LEMON, Dudley, Hatch End; ROBERTS, Thomas Bennett Mottram, Celbridge; WILSON, Geoffrey, Ibadan, Nigeria.

Resignations

The resignations of the following members were reported: BAKER, Ernest Walker (Associate) Cardiff; COLLINS, Albert (Associate) Stourbridge, Worcs.; DAVIDSON, Douglas Wallington (Associate) London; GIBSON, Thomas Batey (Associate) Newcastle-upon-Tyne; HALL, Frank (Associate) Johannesburg, S. Africa; MACWHINNIE, Arthur William Phillip (Associate) Chipstead; MILNER, Edwin Cockroft (Fellow) Halifax; MORTIMER, Walter (Associate) St. Albans; PACKHAM, Leonard James (Associate) London; RAMSDEN, Ernest Henry (Associate) Bushey, Herts.; SMITH, Horace Jepson (Fellow) Urmston, Lancs.; SYLVESTER, Martin (Associate) Sevenoaks.

Deaths

The Council received with regret the report of the deaths of the following: BUBB, William Norman (Fellow) Weston-super-Mare; BULL, Herbert Samuel (Associate) Newton Ferrers; CRAIG, Donald Dudley (Associate) Sheffield; DAVIS, Theodore (Associate) Danbury, Essex; DUDBRIDGE, Leonard, Lt. Col., M.C. (Fellow) Stroud, Glos.; DUXBURY, Alan Holt (Associate) St.

Helen's; FARNWORTH, Percy (Fellow) Beckenham; FIRTH, Edward Ewart (Associate) Leeds; GODFREY, Horace Irvine (Fellow) Luton; HANDS, Kenneth Charles Myburgh, B.A. (Fellow) Cape Town; MEEK, Alfred (Associate) Kenton, Middlesex; NIGHTINGALE, Frederick George (Fellow) Wolverhampton; POYNTER, Ernest (Associate) London; STOTT, William (Associate) London; WHALLEY, Joshua (Associate) Montreal.

District Societies and Branches

Scottish Branch

THE SEVENTY-FIFTH annual general meeting of the Scottish Institute of Accountants, the Scottish Branch of the Society, was held in the St. Enoch Hotel, Glasgow, on April 1. The President, Mr. Festus Moffat, O.B.E., F.S.A.A., J.P., reported on the activities of the Branch during the year 1954. He expressed the pleasure afforded to members on meeting the President and Secretary of the Society, Mr. Nelson and Mr. Craig, in November 1954. Mr. Moffat stated that the day release classes in Glasgow were attracting good attendances. The Scottish Council had now obtained permission for students to attend classes at the Universities of Edinburgh, Glasgow and Aberdeen.

The retiring members of the Council, Mr. J. Cecil Gibb, F.S.A.A., and Mr. D. R. Matheson, F.S.A.A., were re-elected. Mr. William M. Grier, F.S.A.A., and Mr. Eric Maxwell, F.S.A.A., were elected to the Council.

At a meeting of the Council, Mr. Festus Moffat, O.B.E., F.S.A.A., J.P., was re-elected President and Mr. Robert Fraser, F.S.A.A., Mr. John Stewart, F.S.A.A., and Mr. James A. Scott, O.B.E., F.S.A.A., J.P., were re-elected Vice-Presidents.

Annual Report

The Council of the Society is proposing some alterations of its constitution. One of the proposals is to amend Article 40(a) by reducing the representation of the Scottish Branch to one member. The Scottish Council was consulted and has concurred.

Mr. Thomas F. Carss has been elected a member of the Council of the Branch to fill the vacancy caused by the resignation of Mr. William A. Scott.

Scottish members and students attended an informal meeting on November 19 to meet Mr. Bertram Nelson, President of the Society, and Mr. Ian A. F. Craig, Secretary.

The membership of the Branch is now 162, with 225 students.

The Students' Society held study circle meetings during the winter months. There was an informative debate on no par value shares. The Council thanks Mr. Ian M. Hewat, Mr. Robert Gibson, and other

qualified members for their help to the students.

The Council obtained permission for students to attend classes in accountancy, mercantile law and economics at the Universities of Edinburgh, Glasgow and Aberdeen. Day release classes at the Glasgow and West of Scotland Commercial College continue to be well attended.

Luton and Bedford Branch

London Students' Society

THE THIRD Annual dinner of the Luton and Bedford Branch of the Incorporated Accountants' Students' Society of London was held at the Royal Hotel, Luton, on March 28. The branch chairman, Mr. R. J. D. Thompson, welcomed sixty-three members and guests, including the Mayor of Luton, Councillor H. C. Lawrence; the chairman of the London Students' Society, Mr. J. M. Keyworth; and representatives from the professions, commerce and the Inland Revenue.

After the loyal toast had been honoured, the Mayor of Luton proposed that of the branch. The importance of accountancy, he said, was particularly seen in Luton, where industrial development was growing apace. There was a very bright prospect ahead for those who qualified. The Mayor spoke of two local incorporated accountants who had in their lifetimes served the community—Sir Thomas Keens and Mr. H. I. Godfrey.

The chairman, Mr. R. J. D. Thompson, responding, thanked the committee and officers for their work and gave statistics indicating the higher percentage of examination passes gained by students attending lectures.

Mr. R. E. Wright (chairman-elect) welcomed the guests in a witty speech.

Mr. L. R. Lewis, A.C.A., replied. He referred to the inaugural meeting on the following day of the Bedfordshire Branch of the Chartered Accountants' London Students' Society, and thanked the chairman for his good wishes.

Mr. C. May, a student member of the committee, acted as toast-master.

Bombay

Mr. H. B. Dhondy, M.A., A.S.A.A., has been appointed Honorary Treasurer and joint Honorary Secretary of the District Society.

West of England

A MOCK income tax appeal was held at Bristol on March 16, and was attended by over one hundred members, students and guests. The mock appeal was conducted by staff of the Inland Revenue Training Centre, Bristol, under the leadership of Mr. A. C. Snell, senior Inspector of Taxes, who took the part of the accountant. Other inspectors and tax officers who took part were Mr. F. S. Dodd, Mr. E. H. Maton, Mr. L. W. Goodman, and Mr. D. Collins. The Commissioners were Mr. Harold F. Leach, F.S.A.A., Mr. P. K. Pitt, F.S.A.A., and Mr. W. W. Ward, F.S.A.A.

Events of the Month

April 30 and May 1.—*Baltray, Co. Louth:* Annual golf outing of the Irish Branch.

May 4.—*Hull:* Luncheon meeting: Regal Room, Ferensway at 1 p.m.

May 10-13.—*Society of Incorporated Accountants:* Examinations.

May 13.—*Bristol:* "Profits Tax," by Mr. P. H. Dyer, A.C.A. Royal Hotel, College Green, at 6.30 p.m.

May 16.—*London:* Society of Incorporated Accountants: Dinner. Incorporated Accountants' Hall, W.C.2, at 7 p.m.

May 17.—*London:* Society of Incorporated Accountants: annual general meeting at 2.15 p.m. and extraordinary meeting, followed at approximately 3.30 p.m. by the Incorporated Accountants' Benevolent Fund annual meeting. Incorporated Accountants' Hall, W.C.2.

May 20.—*London:* "Some Queries about Depreciation." Seminar opened by Mr. Louis Goldberg, B.A., M.COM., Senior Lecturer in Accountancy, University of Melbourne. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

Personal Notes

Mr. J. H. White, Incorporated Accountant London, E.C.4, has taken into partnership his son, Mr. P. J. White, B.A., A.S.A.A. The firm name is J. H. & P. J. White.

Mr. C. C. Wotherspoon, A.S.A.A., has been appointed secretary to John Brown Land Boilers (Africa) (Pty.) Ltd., Johannesburg.

Mr. J. F. Harrison, A.S.A.A., has commenced practice under the style of Jack F. Harrison & Co., Incorporated Accountants, at 81 Dale Street, Liverpool, 2.

Mr. J. H. Whyte, A.S.A.A., South Shields, has been joined in partnership by Mr. W. H. Greenwood, A.S.A.A. The practice is being continued under the style of J. H. Whyte & Co., Incorporated Accountants.

Mr. H. L. McKee, A.S.A.A., has taken up the appointment of secretary/accountant to Glaxo Laboratories (Ireland) Ltd., Dublin.

Messrs. Allan, Charlesworth & Co., Chartered Accountants, announce that Mr. W. A. Shepland, F.C.A., F.S.A.A., has retired from the partnership in order to take up a commercial appointment. They have admitted to partnership Mr. F. G. Rollason, A.C.A., who has been on their staff for some years.

Mr. G. E. Yallup, A.S.A.A., has been appointed secretary to Hibbert & Buckland Ltd. and Pretty Polly Hosiery Mills Ltd., Sutton-in-Ashfield, Notts. He retains his present appointment of accountant.

Mr. John A. Rodgers, A.S.A.A., A.C.I.S., has been appointed a director of Pfizer Ltd., London, S.W.1. He has been for some time manager in charge of the company's British activities.

Mr. Harold H. Seftel, Incorporated Accountant, has commenced practice at 2 Quantock House, Stamford Hill, London, N.16.

Mr. Eric Denton, A.S.A.A., has been appointed secretary to Herbert Whitworth, Ltd., Manchester.

Mr. C. W. Ward, A.S.A.A., A.I.M.T.A., has been appointed Borough Treasurer of Great Yarmouth. He was formerly Deputy Borough Treasurer.

Messrs. James and J. H. Paterson, Greenock and Rothesay, have assumed Mr. Robert T. Henderson C.A., A.S.A.A., as a partner in the firm.

Messrs. Buzzacott, Lillywhite & Co., Incorporated Accountants, London, E.C.2, announce that Mr. A. R. Dobson, A.S.A.A., has ceased to be a partner in the firm. The remaining partners are continuing the practice under the same style. Mr. Dobson is practising on his own account at 17 Radford Avenue, Coulsdon, Surrey.

Mr. Arthur Wood, M.B.E., A.S.A.A., has taken Mr. John Robert Wood, A.S.A.A., into partnership in his firm of J. R. Atkins & Co., Incorporated Accountants, Manchester.

Mr. S. Mann, A.S.A.A., has gone to Montreal to take up the appointment of secretary/treasurer of the Bowater Corporation of North America.

Mr. James E. Page, A.S.A.A., has been appointed accountant to Taylor Woodrow (West Africa) Ltd., Lagos, Nigeria.

Mr. C. Bryett, A.S.A.A., and Mr. S. Sharpe have formed a partnership of Bryett, Sharpe & Co., and are practising at 87 Great Portland Street, London, W.1.

Removals

Messrs. A. McCarmick & Co. announce that their new address is Oxford Chambers, Oxford Place, Leeds, 1.

Obituary

Herbert Samuel Bull

WE RECORD with regret the death on March 5 of Mr. H. S. Bull, A.S.A.A., a past President of the Incorporated Accountants' District Society of Devon and Cornwall.

Mr. Bull qualified as an Incorporated Accountant in 1914, when he was in the service of Messrs. Cooper Brothers & Co., London. After holding other professional and commercial appointments in London he went to Plymouth in 1922 to become secretary and accountant of the Devon and Cornwall Ice and Cold Storage Co. Ltd.—

later Bigwood's Ice and Cold Storage Co. Ltd.—a position which he held until his recent retirement.

At the inaugural meeting in 1934 of the Devon and Cornwall District Society Mr. Bull was elected a member of the Committee, and he served continuously until his death. He became President in 1937 and held that office for several years.

Horace Irvine Godfrey

A LONG CAREER of public service in Luton and Bedfordshire has been brought to a close by the death on March 8 of Mr. H. I. Godfrey, F.S.A.A., senior partner in Messrs. Godfrey, Laws & Co., Incorporated Accountants. He was 73 years of age, and was already in practice in Luton when he passed the Society's Final Examination and was admitted to membership in 1912. He had formerly been associated with Messrs. Beecroft, Sons & Nicholson and Messrs. Crew, Turnbull & Co. The firm of Godfrey, Laws & Co. was founded when he took into partnership the late Mr. R. M. Laws, F.S.A.A. The surviving partners, who are now continuing the practice, are Mr. Leslie D. King, F.S.A.A., and Mr. Godfrey's son, Mr. B. C. Godfrey, F.S.A.A.

For some years to 1929 Mr. H. I. Godfrey was a member both of Luton Borough Council and of Bedfordshire County Council, and represented the county council on the board of governors of the Harpur Trust. He served as honorary treasurer of the Luton Division Liberal Association and as honorary secretary of the Luton Liberal Club.

He was president of the Luton Chamber of Commerce in 1930, and on resigning last year from the Council after thirty-four years' membership, he was elected an honorary vice-president. He also served for a long period on the Executive Council of the Association of British Chambers of Commerce. When the Luton Trustee Savings Bank was formed in 1934 Mr. Godfrey was one of the first trustees, and for ten years he held office as chairman of the bank. He had served as president of the Luton Rotary Club, and was a Past Master of the St. John the Baptist Lodge of Freemasons.

For the last thirty-five years Mr. Godfrey was an active worker on behalf of the hospitals—first for the Luton Bute Hospital, being a member of the finance committee and the building committee and so actively associated with the building of its successor, the Luton and Dunstable Hospital. He then became chairman of the house committee, and when the hospitals were nationalised in 1948 he was appointed chairman of the Luton and Hitchin Group Hospital Management Committee. This office he retained until his death, which occurred in the Luton and Dunstable Hospital. He was also chairman of the Bedfordshire Hospital Service Association.

Mr. and Mrs. Godfrey celebrated their golden wedding last September.

The funeral service took place at Luton Parish Church on March 12.

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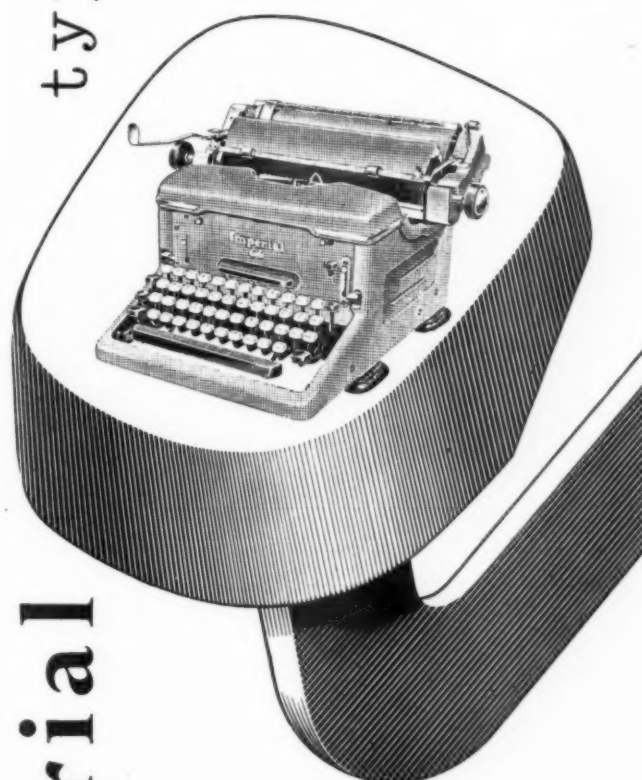


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Classified Advertisements

Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . ., c/o ACCOUNTANCY, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS VACANT

THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

GOLD COAST GOVERNMENT COST ACCOUNTANTS

Applications are invited for five vacancies in the post of COST ACCOUNTANT in the Public Works Department.

Duties. Responsibility for the accounting and costing of public works projects constructed by direct labour and the control of supplies and materials, etc. for public works. Officers appointed will also be required to assist in office administration relative to work in progress.

Qualifications. Associate members of the Institute of Cost and Works Accountants. Applicants should have had practical experience in modern cost accounting methods, including standard and process costing. Special consideration may be given to those applicants demonstrating their ability to conduct costing investigations. Applications will also be considered from members of recognised accounting bodies providing they have had practical experience in the costing field equivalent to the above standard.

Terms of Service. These posts are "development posts" for implementation of specific projects under the Gold Coast Development Plan. The appointment will be on contract/gratuity terms for one tour of 18 to 24 months, with a possible extension to two tours. Salary will be in the range £1,030-£1,750 per annum (consolidated), according to age, qualifications and experience. A gratuity at the rate of £37 10s. 0d. for each completed three months of satisfactory service will be payable on final termination of the contract.

Free passages on first appointment and on leave will be provided for the officer and his wife once each way during each tour of service. Officers will normally be required to travel by air. Free air passages will also be provided for a maximum of three children under 13 years of age.

Vacation leave with pay: seven days for each month of service. Free medical and dental attention provided for officer and family. Furnished quarters available at low rental. Income tax at local rates. Kit allowance on first appointment £60 to £30 according to salary (if no recent tropical experience). It is possible to arrange for superannuation rights of candidates in local government service to be frozen.

Intending candidates should apply in writing to the Adviser on Recruitment, Gold Coast Office, 13 Belgrave Square, London, S.W.1, for a form of application.

£500-700 p.a. Vacancy occurs for Senior Audit Clerk in old established practice, West Midlands. Box No. 139, c/o ACCOUNTANCY.

ACCOUNTANTS! AUDIT CLERKS! BOOK-KEEPERS! If you have the necessary experience we can find a BETTER position for you from dozens now on our books, with no obligation to yourself. Phone or write: HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

ACCOUNTANT required by the Government of the WESTERN REGION NIGERIA for 15-24 months in the first instance. Salary according to experience in scale (including Expatriation Pay) (a) £750 rising to £1,480 a year with prospect of permanency or (b) £807 rising to £1,631 a year on contract with gratuity at the rate of £100/£150 a year. Outfit allowance up to £60. Free passages for officer and wife. Assistance towards cost of children's passages or grant up to £150 annually for maintenance in U.K. Candidates between 23 and 35 must have had good experience in a Bank, a firm of accountants, a Municipality or a Public Company, or in the Accounts Branch of a Government Dept. They must possess a knowledge of Mechanised Accounting. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote MIB/35184/AD.

A LEADING firm of Chartered Accountants have vacancies in their Birmingham office for young newly or partly qualified men. Box No. 129, c/o ACCOUNTANCY.

ACCOUNTANT required by the KENYA GOVERNMENT for Accountant General's Department. The appointment is pensionable subject to an initial period of probation. Commencing salary according to experience in salary scale (including inducement pay and present 10% temporary allowance) £838 rising to £1,782 a year. Outfit allowance in certain circumstances £30. Free passages. Liberal leave on full salary after tour of 30 to 45 months. Candidates, under 40 years must be members of a recognised body of professional accountants and possess administrative ability and initiative. They should have had experience of budgetary control and office management. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote MIB/34333/AD.

ACCOUNTANT, Chartered or Incorporated, required by large manufacturing and retail distributing company to take up a position as Area Accountant in the London Area. Previous commercial experience necessary and knowledge of budgetary control advisable. Salary not less than £1,000 per annum according to experience and qualifications. Age 28-38. Please give full details to Box No. 136, c/o ACCOUNTANCY.

ASSISTANT ACCOUNTANT. London weekly newspaper group. Age not over 35. Commercial experience and training in professional office essential. 5-day week. Pension. Box No. 144, c/o ACCOUNTANCY.

ASSISTANT to Incorporated Accountant wanted for Trustee and Company Department of Solicitors' Office. The work is varied and interesting and the position offers prospects to someone not afraid of hard work. Staff pension scheme. Applications with full details to The Accountant, WALKER, SMITH, & WAY, 26 Nicholas Street, Chester.

ASSISTANT TREASURERS required by the GOVERNMENT OF SARAWAK for one tour of 30 to 36 months in the first instance with prospect of permanency. Salary scale (including cost of living and Expatriation allowances) £966 rising to £1,925 a year. Outfit allowance £60. Free passages. Liberal leave on full salary. Candidates, preferably not over 40, must be of good education and have had at least ten years' accounting experience in Government or Local Government service or with a firm of accountants. Preference will be given to members of one of the recognised bodies of professional accountants. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote MIB/35124/AD.

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